

COMMISSION OF INQUIRY INTO MONEY LAUNDERING IN BRITISH COLUMBIA

The Honourable Mr. Austin F. Cullen, Commissioner

AFFIDAVIT

I, Cheryl Wenezenki-Yolland, of [REDACTED], British Columbia, MAKE OATH AND SAY AS FOLLOWS:

1. I am a former Associate Deputy Minister within the Ministry of Finance in the Province of British Columbia and, as such, have personal knowledge of the facts and matters hereinafter deposed to, save and except where stated to be based on information and belief, and where so stated, I believe them to be true.
2. I swear this affidavit to provide evidence to the Commission pursuant to a summons issued to me under the *Public Inquiry Act*, S.B.C. 2007, c.9.

Background in BC Public Service

3. I was first employed by the BC Public Service in 1985 in the Legislative library. I subsequently worked for a school district for a year and then worked in accounting for BC Transit for nine years, during which time I earned my accounting designation (Certified Management Accountant, CMA). I was later awarded a fellowship and my professional credentials are now FCPA, FCMA.
4. I returned to the core public service in 1999. Between 1999 and 2013, I held the following positions:
 - Senior Internal Auditor and Manager of Audit Practices and Audit Operations, Internal Audit (1999 to 2003)
 - Executive Director of Financial and Administrative Services and Senior/Chief Financial Officer, Ministry of Finance Pod (2003 to 2004)
 - Assistant Deputy Minister and Executive Financial Officer ("EFO"), Corporate and Ministry Support Services, Ministry of Finance Pod (2004 to 2006)
 - Comptroller General, Province of British Columbia, Ministry of Finance (2006 to 2010)
 - Associate Deputy Minister, Environmental Assessment Office (2010 to 2011)

- Deputy Minister, Advanced Education Innovation and Technology, Province of British Columbia (2011 to 2013)
5. In June 2013, I joined the Ministry of Finance as an Associate Deputy Minister. I remained in that position until July 2017.
 6. I have been provided by counsel for the Provincial Government with portions of the electronic calendar I kept during my time as Associate Deputy Minister. I am advised by counsel for the Provincial Government that my calendar prior to October 2015 is no longer available, with the exception of the month of December 2013. Attached to this affidavit and marked Exhibit "A" are true copies of extracts from the calendar that has been provided to me which are of relevance to the evidence herein.
 7. In 2015, I became the Province's first Chief Records Officer in addition to my duties as Associate Deputy Minister.

Role as Associate Deputy Minister in the Ministry of Finance

8. As Associate Deputy Minister in the Ministry of Finance, my program responsibilities included Internal Audit and Advisory Services ("IAAS"), the Gaming Policy and Enforcement Branch ("GPEB"), the Crown Agency Resource Office, and Tax Appeals. I also served as the liaison for the Ministry's three Crown Agencies: the BC Lottery Corporation ("BCLC"), Partnerships BC, and the BC Securities Commission. In 2015, the Corporate Information and Records Management Office ("CIRMO") was added to my responsibilities.
9. As Associate Deputy Minister, my role was to support the individuals who headed each of my program areas, some of whom were Executive Directors and some of whom were Assistant Deputy Ministers ("ADMs"). I would communicate government's priorities and provide strategic advice to the program leads about the policies they wanted to bring forward. I also supported the Deputy Minister and Minister by ensuring that when information or proposals were brought forward to the Minister, they were properly researched, well-supported, and aligned with the Ministry's overall strategic plan. I would try to anticipate questions the Minister might ask so that the necessary information would be included in the briefing materials prepared by staff.
10. My authority with respect to my program responsibilities varied depending on the program. The Crown Agency Resource Office and Tax Appeals were led by Executive Directors. For the Crown Agency Resource Office, I was the policy lead. For Tax Appeals, I had statutory decision-making authority, but the policy lead was either Elan Symes or Heather Wood.
11. CIRMO, IAAS, and GPEB were each led by an ADM. For CIRMO, I had statutory decision-making authority as Chief Records Officer, but the ADM was the policy lead. For IAAS and GPEB, it was the ADM who had both the responsibility for policy development and the statutory decision-making authority.

Responsibility for Gaming

12. When I joined the Ministry of Finance, the Deputy Minister to whom I reported was Peter Milburn. Mr. Milburn asked me to take on responsibility for gaming because he perceived himself to have a conflict of interest due to family connections to horse racing.
13. In approximately September 2015, Kim Henderson replaced Mr. Milburn as Deputy Minister. In approximately March 2016, Athana Mentzelopoulos replaced Ms. Henderson. I had standing bi-weekly meetings with the DMs throughout my tenure.
14. Michael de Jong was the Minister of Finance throughout my time as Associate Deputy Minister.
15. When I joined the Ministry of Finance, the ADM and General Manager of GPEB was Doug Scott. Mr. Scott left this role in the fall of 2013. As part of the corporate approach to succession planning, I consulted with the Public Service Agency as to the ADMs who had been identified as ready for promotion. Based on this consultation and discussion with the Deputy Minister of Finance and the Deputy to the Premier, I asked John Mazure, with whom I had worked in the Environmental Assessment Office, to succeed Mr. Scott. Mr. Mazure became the ADM and General Manager of GPEB for the balance of my tenure.
16. I did not have day to day involvement in the operation of GPEB. However, the ADMs/General Managers of GPEB reported directly to me and I received regular briefings from them.
17. When I joined the Ministry of Finance, the CEO of BCLC was Michael Graydon. After his resignation in 2014, Mr. Graydon was succeeded by Jim Lightbody. I was assigned the Ministry liaison role for each of the Ministry's Crown agencies. In this role, I had regular contact with the CEOs of BCLC with the support and advice of the ADM of GPEB and the ADM of Corporate Services.
18. The CEO of BCLC did not report to me. The BCLC Board and Board Chair did not report to or through me. Rather, BCLC reported directly to the Minister of Finance through the Board Chair, which is typical for Crown agencies. In my Ministry liaison role, I conveyed information to and from BCLC and facilitated meetings, but the Crown Agency Accountability Framework stipulated that BCLC was accountable directly to the Minister through the Board Chair. Attached to this affidavit and marked Exhibit "B" is a true copy of a document entitled "Taxpayer Accountability Principles", dated June 2014, which describes aspects of the BC Government's Crown Agency Accountability Framework. As indicated in the diagram on the 8th page of that document, the Crown Board reports directly to the responsible Minister (through their Chair) and does not have a reporting relationship to the Deputy Minister (or an Associate Deputy Minister where one exists).
19. BCLC Board minutes and management reports to the Board were not provided to me. I did not attend and was not privy to the meetings or internal operations of the BCLC Board.

Orientation to Gaming

20. Before re-joining the Ministry of Finance in June of 2013, I had no prior involvement or familiarity with the gaming industry.
21. A transition binder was provided to me and Minister de Jong which provided a high-level overview of gaming in the Province. Attached to this Affidavit and marked as Exhibit "C" (GPEB4330) is a true copy of the transition binder. The government's anti-money laundering ("AML") efforts were one of eighteen topics covered in the transition binder. The Issue Note relating to AML described the outcome of a 2011 review, which I later came to know as the Kroeker Report. The Issue Note characterized the Kroeker Report as finding that BCLC and service providers were employing "standard and appropriate anti-money laundering strategies." BCLC and GPEB were described as actively cooperating on strengthening their AML efforts by implementing recommendations of the Kroeker Report that focussed on moving the industry away from cash.
22. My initial orientation to GPEB, the gaming industry, and government's priorities for gaming was provided by Mr. Scott and Mr. Graydon. In June 2013, I received in-person orientation briefings presented by Doug Scott on behalf of GPEB and by Michael Graydon on behalf of BCLC. Attached to this affidavit and marked as Exhibit "D" (GPEB4336) is a true copy of the presentation provided by Mr. Scott. Attached to this affidavit and marked as Exhibit "E" (GPEB4332) is a true copy of Mr. Graydon's presentation. AML was one of many topics covered in these briefings. I also attended the briefings that Mr. Scott and Mr. Graydon provided to the Minister.
23. The briefing materials and presentations indicated that money laundering in BC casinos was one of the Ministry's priorities at that time. The message from Mr. Scott and Mr. Graydon was that the Province had appropriate AML policies and procedures in place, had just completed a comprehensive review of these procedures, and was already making further improvements based on the recommendations of that review. I understood that the additional efforts underway were focused on developing cash alternatives, as this had been a key recommendation of the Kroeker report. Mr. Scott and Mr. Graydon did not suggest that any specific action was required from the Minister or me at that time. They appeared confident in their strategy.
24. Mr. Scott's presentation included a discussion of the different roles of the Minister, BCLC, and GPEB, stating, "The Minister provides oversight and guidance, leaving specific decision making to BCLC and regulation of the gaming industry, including BCLC, to GPEB." It further cautioned, "These accountabilities and responsibilities ensure appropriate segregation of duties necessary to maintain the integrity of the industry." This advice was consistent with my understanding of the Crown's accountability framework in that Ministers were not to be interfering in the operation of Crown agencies.
25. In addition to the above orientation, I requested a legislative overview, undertook some of my own research, and visited GPEB staff offices, BCLC, and gaming facilities to gain a better appreciation of the gaming sector.

26. When John Mazure became General Manager of GPEB in October 2013, I provided Mr. Mazure an overview of the Minister's priorities for gaming, including the AML strategy. I remember Mr. Mazure expressing that he was looking forward to taking on the diversity of challenges in the portfolio. He would also have been provided with the current Ministry Service Plan, which set out the Ministry's priorities for each area of responsibility. Attached to this affidavit and marked Exhibit "F" is a true copy of the Ministry of Finance Revised 2013/14 – 2015/16 Service Plan released June 14, 2013. The section entitled, "Goal 3: Responsible regulation of gaming opportunities" describes the Ministry's money laundering prevention strategies at the time Mr. Mazure and I joined the Ministry.
27. As I had only been in my position for a few months, I encouraged Mr. Mazure to speak with Doug Scott, other regulators within the Ministry of Finance, and his own staff to develop a more thorough picture of the Ministry's and GPEB's direction and priorities. Ordinarily in government, an ADM would be expected to be brought up to speed on a new program by their staff more so than by their superiors.
28. As part of my orientation to gaming, I paid a visit to the GPEB staff offices in the Lower Mainland. It was not a formal meeting, but was rather an informal "meet and greet" visit to meet the staff and tour the office. During this visit, I spoke with many members of GPEB's staff. I recall some staff, whom I believe were members of the Investigations Division, inviting me into an office for a discussion. They gave me a summary explanation of what their concerns were about suspicious cash in BC casinos. It was a brief, informal discussion.
29. As I was new to the portfolio, I had limited context for the information the GPEB investigators were providing. I understood them to be describing the same suspicious cash concerns that I had been told about in my initial briefings with Mr. Scott and Mr. Graydon. I did not understand them to be suggesting that current strategies were not working, nor do I recall them proposing any particular solutions. Rather, I remember them conveying concerns about the volume of files, the lack of police response when they forwarded files to police, and frustration with delays in BCLC forwarding information to GPEB. I would have discussed these concerns with the ADM/GM after the meeting. I also raised with the CEO of BCLC the issue of information flow.

BCLC Credit Watch

30. When I came to the Ministry of Finance, BCLC was under credit watch by the Treasury Board as a result of multiple years of missed financial targets. "Credit watch" is an informal term used within government to refer to the need for ongoing and regular visits and reports back to Treasury Board.
31. BCLC is classified as a "commercial crown" because its activities are commercial in nature and generate net income. Commercial crowns can be contrasted with "service delivery" Crown corporations like Community Living BC, which are not involved in commercial activity and do not generate net income.

32. As part of the budget process, Crown corporations like BCLC provide budget projections, which include net income, that are rolled up into the overall budget for government.
33. When I came to the Ministry of Finance, I was advised that BCLC had missed its targets in multiple years. As a result, BCLC had several outstanding report back requests from Treasury Board.
34. BCLC was responsible for its own projections, which would be questioned and challenged by Treasury Board. I received these projections along with other budget-related briefing materials because part of my role was to ensure that the Minister was prepared to respond to questions from Treasury Board. BCLC would sometimes come to government with options for its projections if the projections were dependent on policy decisions that required government approval, such as putting gaming on ferries or expansion of the online gaming platform to other jurisdictions.

Cost-Control Pressures

35. The government was in a budget restraint mode for the public service. Treasury Board had directed all ministries to conduct a core review to identify critical programs and find ways to reduce their staffing costs.
36. As part of the core review, I defended within the Ministry and with Treasury Board staff the need to retain and fill GPEB's frontline resources. Treasury Board imposed a cap on hiring and discretionary expenses, including travel, at this time. The cap on the Ministry of Finance was lower than the Ministry had requested. As a result of the cap imposed by Treasury Board, the Ministry put in place a critical hire initiative, which required every hire to be justified at the Deputy Minister level. Within the Ministry, I advocated for the protection of GPEB's Full Time Equivalent positions.
37. The government had also placed a freeze on all out-of-province travel. GPEB had identified the training of its investigators at the Nevada Institute as a priority. I advocated with Deputy Minister Milburn for and was granted an exemption allowing GPEB investigators an annual allocation for out-of-province travel so this training could continue.
38. Within GPEB there was an effort to ensure there were sufficient resources in front line areas like audit and investigations. Other areas, such as administration and the policy division, may have been under-resourced due to these budget constraints.
39. In some respects, GPEB was in a better position than other programs in the Ministry because its funding was ring-fenced by a separate vote so that it could not be reallocated for other Ministry purposes. As a result, GPEB was not subject to the same level of cost-control pressure as my other departments.

GPEB's Mandate and the Generation of Revenue

40. Shortly after gaming came to my portfolio, I identified a need to maintain separation between the regulatory oversight and financial oversight of BCLC. I did not want the objectivity of the regulator to be affected by the financial responsibility that would normally be associated with an ADM's role in relation to a Crown corporation. For this reason, I deliberately segregated these roles. The Ministry EFO (ADM of Corporate Services) took the lead on BCLC finances, while the General Manager (ADM of Gaming) took the lead on all policy and regulatory aspects of gaming. I did this so that Mr. Mazure would not have to concern himself with BCLC's finances.
41. From time to time, BCLC proposed new gaming opportunities. GPEB's role included considering regulatory and control concerns related to these proposals. I recall discussions about GPEB engaging more proactively on new gaming proposals from BCLC. The objective was to ensure that any policy and regulatory requirements for new products or approaches were considered proactively, rather than reactively imposing regulation after the fact. GPEB did become more actively involved in consultations about new gaming proposals.
42. As a regulator, it was important for GPEB to have an awareness of the business of gaming and the implications of regulations it might impose. The challenge for any modern regulator is to find the right balance between effectively regulating an industry without over-regulating in ways that would impose unnecessary administrative burdens or impair legitimate business. For GPEB, achieving this balance required careful research and consideration of new initiatives, followed by ongoing monitoring and adaptation.
43. When I worked in the Environmental Assessment Office, the office would provide the Minister a broad perspective on major proposals that considered multiple factors including social, economic, and health implications. In September 2014, Mr. Mazure and I provided the Minister a briefing note proposing a similar approach in the gaming industry. Attached to this affidavit and marked Exhibit "G" (GPEB4387) is a true copy of the briefing note in relation to this proposal that we presented to the Minister. The Minister did not indicate an interest in pursuing this approach.
44. I have no reason to believe that the Minister was resistant to measures to address money laundering because of revenue considerations.

Initial Priorities

45. One of the key issues identified to me shortly after I joined the Ministry of Finance was a forthcoming report from the Public Health Officer ("PHO").
46. Before Mr. Scott's departure, much of my time with him was spent discussing the upcoming PHO's report on problem gambling. There was concern that this report would recommend against certain cash alternative strategies that GPEB and BCLC were implementing in response to the Kroeker report. When it was released, the PHO's report

did recommend against the presence of ATMs in casinos. This recommendation was at odds with GPEB's AML strategy. Attached to this affidavit and marked Exhibit "H" is a true copy of the PHO's Report, entitled "Lower the Stakes: A Public Health Approach to Gambling in British Columbia" which was released on October 1, 2013.

47. Responding to the PHO report was a significant priority for the Ministry from shortly after I arrived through to early 2015. Once the report was released, the PHO was speaking publicly on it. The response required coordination across ministries and between BCLC and GPEB. It required approaches to both Cabinet and Treasury Board for approval for and funding of the programs being proposed. This work involved multiple ministerial briefings with the Minister of Finance, the Minister of Health, and the Minister of Education.
48. Much of my time and the ADM's time in 2014 was dedicated to developing the strategy and response to the PHO Report and coordinating the implementation of that response. The work culminated in the release in February 2015 of a comprehensive government response to the PHO Report. Attached to this affidavit and marked Exhibit "I" is a true copy of that response, entitled, "Responsible and Problem Gambling in British Columbia: A Plan for Public Health and Gambling in British Columbia."

2014 BCLC Crown Review

49. In 2011, the Provincial Government committed to undertake a review of all major Crown Corporations. These reviews were conducted by IAAS. In October 2013, Minister de Jong approved a Crown Review of BCLC, which had been identified by IAAS as a high priority for such a review. Attached to this affidavit and marked Exhibit "J" (GPEB4345) is a true copy of the Decision Note approved by Minister de Jong authorizing the Crown Review of BCLC.
50. These reviews were intended to be comprehensive, examining the entire organization to determine whether it was delivering on its mandate, whether it was following the spirit and intent of government policy, and whether appropriate controls were in place within the organization.
51. The review followed the normal Crown review framework. The Minister approved the terms of reference for the review and broad oversight was provided by an executive level Crown Review Steering Committee composed of Deputy Ministers and myself as Associate Deputy Minister responsible for IAAS.
52. The demands of this review were further complicated when Mr. Graydon left BCLC because a concern arose regarding a potential conflict of interest with his new employer. IAAS was required to prepare a separate report on that issue, which led to multiple additional briefings with the Minister and a media briefing for which I was responsible.
53. IAAS completed their Crown Review in late 2014. Attached to this affidavit and marked Exhibit "K" is a true copy of their report. The recommendations included GPEB taking a

risk-based approach to regulating the gaming industry, which I understood to be consistent with Mr. Mazure's vision for GPEB.

2014 Increase in Bet Limits

54. I recall discussions about a proposed bet limit increase in late 2013. Mr. Mazure would have briefed me on it. I recall that BCLC was anxious to have it in place for Chinese New Year.
55. I was not responsible for making decisions about bet limits. I had no authority to make policy decisions myself with respect to gaming.
56. I recall that Mr. Mazure had some uncertainty about whether he had decision-making authority on the issue of bet limits. Mr. Mazure eventually determined that GPEB approval was not required and that BCLC could make the decision on its own under their "conduct and management" mandate.
57. I recall that Mr. Graydon contacted the Minister's office directly about this issue. A true copy of a letter from Mr. Graydon to Mr. Mazure, on which I was copied, has been marked in these Commission proceedings as Exhibit 544. I understood Mr. Graydon's use of the phrase "senior-level intervention" in that letter to be a reference to Mr. Graydon's call directly to the Minister to seek approval for this change.
58. While I understood why Mr. Graydon may have decided to contact the Minister directly, I found it disappointing. BCLC had been working with GPEB on this issue, but then decided to bypass GPEB and go directly to the Minister. Communication between Crown corporations and the responsible Minister are meant to go through the Board Chair, not the CEO. This was not representative of the working relationship between Mr. Mazure and Mr. Graydon, who generally seemed to work well together.

2014 GPEB Review

59. When John Mazure became the General Manager of GPEB, I encouraged him to speak with Doug Scott and to other regulators to develop a sense of what he wanted to do as a regulator. I spoke with Mr. Mazure about my own experience as a regulator and my perspective on the strengths of different regulatory models. We discussed moving GPEB towards a standards-based and risk-based approach to regulation, as this was the direction most modern regulators (and the BC government) were moving.
60. I recall being advised by Mr. Mazure that he had spoken with Elan Symes, the ADM for Revenue, who told Mr. Mazure about her experience working with the Ministry of Finance's Strategic Human Resources unit to undertake an organizational review.
61. Mr. Mazure made the decision to engage the Strategic Human Resources unit to conduct a review of GPEB. I was supportive of Mr. Mazure undertaking this effort. A true copy of a Briefing Note that Mr. Mazure provided to the Minister explaining the rationale for the

internal review of GPEB has been marked as Exhibit 548 in these Commission proceedings.

62. The objective of the review was to position GPEB to become a strong, modern regulator, making effective, efficient use of all its resources.
63. I did not understand the request for the review to stem from dysfunction within GPEB. I understood there were opportunities to improve collaboration within GPEB, which is not uncommon within government departments, but I do not believe that the review was intended to address that issue specifically.

Termination of Larry Vander Graaf and Joe Schalk

64. In September 2014, Strategic Human Resources produced a report of their findings from the internal review of GPEB. I do not recall whether I was provided with the full report, which has been marked in these Commission proceedings as Exhibit 546 or with the summary report, a true copy of which is attached to this affidavit and marked Exhibit "L" (GPEB4085). I reviewed whichever of these two reports I was provided.
65. Mr. Mazure and Strategic Human Resources engaged Tom Steenvoorden to conduct a separate review in relation to the Investigations Division and Audit and Compliance Division of GPEB. A true copy of the report summarizing Mr. Steenvoorden's findings has been marked in these Commission proceedings as Exhibit 547.
66. Following the internal review, Mr. Mazure and Strategic Human Resources staff briefed me about Mr. Mazure's intention to move towards a new model for GPEB. The new structure required fewer senior positions, which Mr. Mazure anticipated would result in some people being displaced. At the time of the briefing, Mr. Mazure had not yet spoken with any of these people.
67. I told Mr. Mazure that my preference was that he try to find placement for these individuals within GPEB or elsewhere in government. I suggested the possibility of placement in PSSG for Mr. Vander Graaf and Mr. Schalk because of their skill sets. I also asked Mr. Mazure to get advice from the Public Service Agency ("PSA") on the implications of the reorganization for these individuals and how it could best be approached.
68. Mr. Mazure returned some time later after consulting with the PSA. He advised me that placement within government was possible for all but two individuals: Mr. Vander Graaf and Mr. Schalk.
69. Mr. Mazure had been working directly with Mr. Vander Graaf and Mr. Schalk for approximately one year at this point. I understood that he was of the opinion that Mr. Vander Graaf and Mr. Schalk would be resistant to the new regulatory approach he intended to implement. I was also aware that the internal review had identified significant concerns about their leadership.

70. A true copy of a briefing note provided to me by Mr. Mazure requesting approval to terminate Mr. Vander Graaf and Mr. Schalk has been marked in these Commission proceedings as Exhibit 549. I approved the proposed terminations because of the concerns identified in this document and the lack of confidence and trust expressed by Mr. Mazure in those two individuals.
71. It was never suggested to me, and I did not understand, that the termination of Larry Vander Graaf and Joe Schalk was in any way connected to their raising concerns about money laundering. My understanding was that the AML strategy was a priority for all of GPEB.

Anti-Money Laundering Strategy

72. At the beginning of my tenure as Associate Deputy Minister, I was entirely new to gaming and was largely dependent for my understanding of the AML issues on the information provided to me by the General Manager of GPEB and others. I was aware from my initial briefings regarding the AML strategy that taking action to mitigate the risk of suspicious cash transactions ("SCTs") and the potential for money laundering was a priority for both GPEB and BCLC.
73. When gaming came to the Ministry of Finance, it came with an AML strategy already under way as a result of the Kroeker Report and the efforts of Mr. Scott and Mr. Graydon to implement the Report's recommendations.
74. The strategy included three incremental, overlapping phases. The first focused on developing cash alternatives, the second on active promotion of cash alternatives and FINTRAC-based customer due diligence, and the third involved enhanced intervention from the regulator (GPEB). To the best of my knowledge, the nature of the intervention by the regulator in phase 3 had not yet been determined when I joined the Ministry of Finance.
75. As of 2013, the focus of the AML strategy had been primarily on cash alternatives. I understood that GPEB and BCLC believed that getting cash out of the system would help to reduce the number of SCTs and the potential risk of money laundering. It was never my understanding that cash alternatives were meant to be the answer to the money laundering risk in and of themselves. I understood that the strategy contemplated using cash alternatives to reduce the overall level of cash in casinos. Once legitimate cash players had moved to cash alternative options, the remaining cash could be scrutinized for risk and additional regulatory measures taken.
76. I was not advised that cash alternatives were not having an impact. I was told that they were having an impact in that people were moving away from cash, but that cash alternatives were only one lever to address the risk and more needed to be done to address the issue of SCTs.

77. I was also advised by Mr. Scott and Mr. Graydon that BCLC was actively developing new customer due diligence procedures with input from service providers. These new procedures were to be implemented by February 2014 and were intended to address FINTRAC's new regulatory requirements. I was advised that both GPEB and BCLC believed this increased scrutiny of customers would further aid in reducing the risk associated with SCTs. Depending on the results of the enhanced customer due diligence, additional steps would be identified and taken as part of Phase 3.
78. It was not the practice of Doug Scott or John Mazure to provide me with reports of findings produced by the GPEB Investigations Division. The briefings I received from the ADMs were at a higher level. Our conversations focussed on larger trends and policy considerations rather than the details of particular SCTs. I was told about overall numbers of SCTs, whether they were increasing or decreasing, and the explanations being offered by BCLC for these trends. I was advised by both GPEB and BCLC that SCTs were an indicator of risk, but could not be equated directly with money laundering.
79. My understanding of SCTs evolved as I received more information from the General Manager, the CEO of BCLC, GPEB staff, and independent sources and reports.

2014 Malysh Associates Report

80. In approximately early 2014, I recall being advised that FINTRAC did not require casinos to refuse suspicious cash – only to report the SCT. I consulted the FINTRAC standards and learned that FINTRAC had stronger regulatory requirements for financial institutions than for gaming facilities. The standards contained guidance for financial institutions that recommended a risk-based framework for assessing transactional and business risk associated with SCTs. These frameworks could lead to a business refusing a transaction or discontinuing a business relationship with a customer.
81. Mr. Mazure was, at that time, relatively new to his role as General Manager of GPEB. We had been discussing whether GPEB ought to take a risk-based approach to regulation as part of its Phase 3 AML strategy. I recall forwarding to Mr. Mazure the information I found on the FINTRAC website, as I believed that FINTRAC's guidance for financial institutions could inform his approach to regulator intervention.
82. Mr. Mazure decided to commission a report by Malysh Associates Consulting ("the Malysh Report"), the purpose of which was to consider the customer due diligence practices employed by financial institutions with respect to cash transactions. After the Malysh Report was produced in September 2014, I was briefed on the findings by Mr. Mazure. He subsequently provided me with a copy of the Malysh Report, a true copy of which is attached to this affidavit and marked Exhibit "M" (GPEB0709). I believed it provided useful guidance that could inform the development of Phase 3. Mr. Mazure advised me that GPEB and BCLC were continuing to research and develop their recommendations for Phase 3 at this time.

Rising SCTs

83. In 2014, stories appeared in the media alleging problems with suspicious cash and money laundering in BC casinos. I was also aware, through my briefings from Mr. Mazure, that SCTs were increasing in number. BCLC's explanation for the increase in SCTs was that it was primarily the result of increased training, enhanced reporting requirements, and increased international visitors.
84. BCLC's explanations had some apparent merit, as they had previously been fined by FINTRAC for underreporting, but had taken active steps to improve their training and reporting, which would logically lead to a higher number of SCT reports.
85. However, the reporting of SCTs was one area examined in the Crown Review. IAAS believed that the increase in suspicious transactions could not be fully explained by improved training and reporting. IAAS was of the view that there was, in fact, an increase in actual suspicious activity. This belief was presented by the IAAS auditors to the Crown Review Steering Committee on which I sat during their work in mid-2014.
86. This opinion from the IAAS auditors was a warning flag for me. BCLC's new customer due diligence policies had come into effect in February 2014. It had been hoped that these policies would help to reduce the number of SCTs. The belief expressed by the IAAS auditors that the increase in SCTs was real, rather than the result of better reporting, led me to be concerned about the adequacy of the current AML measures.
87. The conclusion of the IAAS Crown Review coincided roughly with the release of the Malysh Report. Although I had increasing concerns that the existing control framework might not have been adequately addressing the SCT risk, I believed the recommendations of the Malysh Report were sound and would guide the development of GPEB's strategy.

Development of the Phase 3 Strategy

88. At the end of 2014 and early 2015, I understood that GPEB and BCLC were gathering research on industry best practices and identifying potential regulatory solutions. It was my understanding that the strategies to address AML were to be multifaceted and would need to evolve and adapt as the context and environment changed. I was regularly updated by Mr. Mazure on the progress of this work.
89. Between the Kroeker Report, the Malysh Report, the BCLC Crown Review, the GPEB AML Working Group, and the Exploring Common Ground workshop, there were a whole host of ideas being considered in 2014 and the first half of 2015. Some of those ideas may have been brought to my attention by Mr. Mazure in our briefings, but not all. To my knowledge, Mr. Mazure did not provide to me the February 6, 2015 Briefing Document marked in these Commission proceedings as Exhibit 542.
90. I was supportive of the various regulatory intervention options that Mr. Mazure did bring to my attention. As I was not the policy lead nor the expert, I was looking to Mr. Mazure and

his team to synthesize the information from all of these sources and develop the strategies and actions needed for Phase 3.

91. I did not tell Mr. Mazure to keep focussing on cash alternatives, nor am I aware of Mr. Mazure receiving any similar instruction from the DM or the Minister. It was our common understanding that Phase 3 would involve moving beyond cash alternatives into customer due diligence and other regulator intervention.
92. While it was important for Mr. Mazure to keep me and the Minister informed of the strategy GPEB intended to implement, it was not my expectation that Mr. Mazure would require either my approval or the Minister's approval to implement the Phase 3 strategy. Both BCLC and the General Manager of GPEB had the authority to implement changes that fell within their respective mandates. It may have been necessary for some options to go to the Minister for approval if they required legislative amendments, additional resourcing, or a general policy directive. Apart from that, I did not anticipate that ministerial direction would be required to put Mr. Mazure's strategy into effect once it was developed.
93. I recall discussion about the possibility of Mr. Mazure issuing a public interest standard. My understanding was that this would have been a mechanism within the GM's authority that would not have required ministerial approval. Eventually, GPEB came to the view that they required a ministerial directive, which would require the Minister's approval. I am unclear why they came to this conclusion, but I indicated to Mr. Mazure that I would support him taking this proposal to the Minister.
94. Attached to this affidavit and marked Exhibit "N" (GPEB4686) is a true copy of the 2015/2016 Mandate letter from Minister de Jong to BCLC Board Chair, Bud Smith, dated February 5, 2015. In anticipation of GPEB's upcoming Phase 3 strategy, the mandate letter directed that BCLC was to respond to the AML standards developed by GPEB.

January 2015 Presentation by Brad Desmarais

95. Toward the end of 2014, I spoke with BCLC CEO Jim Lightbody about organizing a technical briefing for the Minister of Finance. I raised with Mr. Lightbody my concern about the escalation in SCTs. I wanted to know more about why this was happening and to receive a progress report on AML initiatives.
96. It was not possible to schedule a technical briefing for the Minister because of his schedule, but GPEB and Brad Desmarais from BCLC delivered presentations in January 2015 to me, the Ministry's Communications team, and some GPEB and BCLC staff.
97. In response to questions during his presentation, Mr. Desmarais described what he thought was behind the increase in SCTs. I understood Mr. Desmarais to be suggesting that some of the suspicious cash entering BC casinos could be explained as the result of cultural practices. He explained that foreign visitors had a preference for cash and that they may have been obtaining this cash through a practice known as hawala.

98. I had not heard of hawala prior to this presentation, but based on my knowledge of finance and banking regulations, this explanation was concerning to me. I recall telling Mr. Desmarais that if his theory was true, BCLC should not be accepting this cash and that government would not want that business.
99. After this meeting, I briefed the Minister on the presentations. I told the Minister that I had told Mr. Desmarais that BCLC should not be accepting this business and that government would not want it. The Minister seemed to accept my concerns as valid. The Minister was aware of the concern regarding the continued increase in SCTs. I advised the Minister of the Phase 3 work that was underway and of GPEB's intent to brief the Minister on this plan as soon as they were ready.
100. In early 2015, GPEB organized a stakeholder workshop called "Exploring Common Ground", which was held in June 2015. The workshop brought together GPEB, BCLC, FINTRAC, service providers, law enforcement, and financial industry experts. I understood that the aim of the workshop was to consider the recommendations of the Malysch Report by obtaining input from various stakeholders in order to develop the full Phase 3 strategy.
101. While I fully supported Mr. Mazure's decision to hold the stakeholder workshop, I was concerned about the amount of time it was taking GPEB to produce concrete actions. In May 2015, Mr. Mazure prepared a briefing note to update the Minister about the upcoming workshop. A true copy of an early draft of that briefing note has been marked in these Commission proceedings as Exhibit 550. Upon reading this draft, I was not satisfied with the open-ended suggestion that GPEB would develop recommendations for government following the workshop. I wanted Mr. Mazure to commit to a timeline. Commission Exhibit 550 bears my handwriting on the third page, where I wrote, "Will these be brought forward for Minister's consideration? If so when."
102. Attached to this affidavit and marked as Exhibit "O" is a true copy of a revised briefing note in which Mr. Mazure added clarification that the recommendations would be provided to the Minister's office by fall 2015.

2015 Spreadsheet and Briefing from Len Meilleur

103. In 2015, I went out of the country on vacation with my family. I left on July 10, 2015 and returned from vacation on August 27, 2015.
104. Typically, upon return from vacation, I would receive a briefing on what had occurred in my absence. On this occasion, I was briefed by Len Meilleur, as Mr. Mazure was on vacation.
105. Instead of the usual briefing following an absence, Mr. Meilleur briefed me on SCTs and a police investigation that had come to their attention during my absence.
106. Mr. Meilleur shared with me a bar graph and detailed spreadsheets that indicated an escalation in SCTs, including a significant spike in such transactions in July 2015. He told me that the RCMP were conducting a money laundering investigation in relation to the

River Rock Casino. Mr. Meilleur was very circumspect in the information he disclosed to me about the RCMP investigation, indicating that he had entered into a confidentiality agreement. I do recall him telling me that the investigation involved concerns about potential money laundering and may be related to organized crime.

107. I do not recall Mr. Meilleur mentioning any names in relation to the police investigation during the August 27, 2015 briefing. I do not recall having heard Paul Jin's name before Mr. Meilleur provided me with the detailed spreadsheet during that briefing. The name did not stand out to me, as I did not know who he was until much later.
108. I was extremely concerned about both the spike in SCTs, the information included in the spreadsheet, and the police investigation. I had not previously seen detailed accounts of individual SCTs of the kind included in the spreadsheet. The conduct described in that spreadsheet was alarming to me. The fact that the RCMP were investigating suspected money laundering with potential ties to organized crime in one of BCLC's casinos concerned me even further. It was clear to me that we needed to accelerate the preparation of the AML strategies and get any proposals requiring approval before the Minister as soon as possible.
109. I told Mr. Meilleur that GPEB needed to prioritize the preparation of briefing materials for the Minister. Mr. Meilleur was hesitant to move forward in Mr. Mazure's absence. I called Mr. Mazure and asked him to give Mr. Meilleur the green light to start preparing the briefing package for the Minister right away. Mr. Mazure agreed. Mr. Meilleur subsequently advised me that Mr. Mazure had directed him to work with me to prepare for the briefing.
110. During our August 27th briefing, Mr. Meilleur advised me that the Deputy Minister had already been briefed about the police investigation by John Mazure and that the Deputy Minister had advised the Minister.
111. I spoke with Deputy Minister Peter Milburn shortly thereafter. Mr. Milburn confirmed that he and the Minister had been advised of the ongoing police investigation. I told him about the information shared by Mr. Meilleur, my concerns about it, and about GPEB's intention to bring an update and options to the Minister as quickly as possible.
112. Mr. Milburn recommended that in bringing a strategy forward, the Minister be presented with options, not a final plan. The approach would be first to brief the Minister on the overall strategy and then follow up with any individual decisions that required his approval.
113. I exchanged emails with Mr. Meilleur the following day. Attached to this affidavit and marked as Exhibit "P" (GPEB4414, pp.1-10) is a true copy of an email exchange between myself and Mr. Meilleur on August 28, 2015. In these emails, Mr. Meilleur confirms that Mr. Mazure had already briefed the Deputy Minister about the police investigation and had issued a letter of expectation to BCLC requesting the implementation of financial industry-based customer due diligence standards with a focus on source of funds. Mr. Meilleur advised me that his policy team was working on preparing a package of proposed ministerial directives. He also mentioned the possibility of an external review – an idea which later on became the MNP Report.

114. In a phone call that same day, I conveyed to Mr. Meilleur that the information he had provided me the day before was extremely serious. I understood that GPEB had been preparing a comprehensive briefing note containing lengthy discussions of all of their options with multiple decision points. Based on my conversation with Mr. Milburn and my understanding of the Minister's preferred structure, I asked Mr. Meilleur to turn that draft briefing note into a more streamlined strategy document that would lay out the AML history, the recent developments, the steps that GPEB intended to take, and any options that required a ministerial decision. I also recommended that GPEB begin making inquiries immediately into the feasibility of an external review of BCLC's customer due diligence framework in relation to the SCT activity – an option Mr. Meilleur had proposed during our briefing. The content of our phone conversation is confirmed in the email exchange described above and marked as Exhibit "P".
115. Attached to this affidavit and marked as Exhibit "Q" (GPEB4414, pp.11-14) are four additional pages of text that have been provided to me as part of Document GPEB4414. These pages do not form part of the email exchange between Mr. Meilleur and me. I do not recall seeing these pages before and I do not think they were attached to the emails. I believe these are Mr. Meilleur's own notes and I believe the bullet point on page 3 that reads, "OADM was concerned back in Jan 2015 at BCLC presentation to GCPE. She questioned underground banking at casinos. BCLC states it is a cultural issue, VIIPS [*sic*] need access to cash," is a reference to the concerns I raised with Mr. Desmarais about hawala during his presentation in January 2015.
116. One of the options Mr. Meilleur had identified in our briefing on August 27, 2015, was to have an external firm conduct an independent review of service provider and BCLC customer due diligence practices. BCLC was insisting that they were following best practices, but the information Mr. Meilleur had presented to me suggested that very little suspicious cash was actually being turned away.
117. I wanted to ensure that Mr. Mazure was supportive of engaging in such a review before presenting it to the Minister. I continued to have concerns about the amount of study being undertaken by GPEB relative to the amount of concrete action. Attached to this affidavit and marked Exhibit "R" (GPEB4722) is a true copy of an email exchange between Mr. Meilleur and me on August 31, 2015 in which I raised this concern.
118. Mr. Mazure determined that he did want to undertake an external review because he felt that GPEB staff lacked the requisite expertise and he wanted the recommendations to be seen as objective.
119. Following the briefing from Mr. Meilleur, I attempted to schedule a briefing with the Minister as soon as possible. This portion of my calendar is not available, but to the best of my recollection, the earliest briefing available was in late September 2015. I scheduled the briefing for the first available time.
120. I would have preferred to brief the Minister earlier, but it was not easy to book meetings with the Minister because of his calendar and the scope of his portfolio. Time was also needed to pull together the information and I wanted to ensure that Mr. Mazure was back

from holidays so he could review the material his staff had prepared and be present to give the briefing.

Relationship between GPEB and BCLC

121. From the beginning of my tenure as Associate Deputy Minister, there was an expectation from Minister de Jong that GPEB and BCLC would work together to resolve issues. I understood that the Minister preferred to rely on the experts and did not want to interfere in the regulatory role of GPEB or the conduct and management role of BCLC and its Board, but he was open to being consulted on broad policy direction.
122. Minister de Jong delivered a consistent message that GPEB and BCLC should work together in the best interests of the public.
123. In 2014, when the Malysh Report was being completed, I understood that GPEB and BCLC were working together on the development of the Phase 3 strategy. That collaborative practice had been in place under Doug Scott and Michael Graydon. I understood it was continuing with Mr. Mazure and Mr. Lightbody.
124. Information from the September 2014 Malysh Report was shared with BCLC. BCLC and GPEB continued to work collaboratively on the AML approach, hosting the "Exploring Common Ground" workshop in June 2015.
125. The Minister's 2015/2016 Mandate Letter, described above and attached to this affidavit as Exhibit "S" (GPEB4686), directed GPEB and BCLC to, "jointly develop key principles that will inform respective roles and responsibilities." This was a recommendation emanating from the BCLC Crown Review. Mr. Lightbody and Mr. Mazure engaged a consultant to aid them in responding to this direction throughout 2015. They also brought in Peter German to provide advice specifically in relation to the role of the Investigations Division.
126. I was aware there had been friction between BCLC staff and GPEB staff, but Mr. Lightbody and Mr. Mazure both repeatedly told me they had a good working relationship. They told me independently that they were capable of resolving the issues with their staff and of working together both in terms of defining their respective roles and responsibilities and in developing solutions for areas of overlapping responsibility, such as the AML strategy.
127. It was both my expectation and, I believe, the Minister's expectation that BCLC would take what they were learning from the various reports and initiatives and implement appropriate measures with the guidance of GPEB. This was part of the direction the Minister had given to BCLC in the 2015/2016 Mandate Letter.
128. I did not believe that BCLC would require a ministerial directive to implement changes of an operational nature, as they were clearly charged with this responsibility under the legislation.

129. However, by the time of the September 2015 briefing to the Minister, I was satisfied, based on the information provided to me by GPEB, that the enhanced customer due diligence implemented in February 2014 and the other measures BCLC had taken had not been sufficient to stem the rise of SCTs or adequately mitigate the risk of money laundering.
130. One of the AML measures that GPEB wanted introduced was a requirement that service providers implement a source of funds assessment prior to cash acceptance.
131. During my absence, Mr. Mazure had sent a letter to Jim Lightbody dated August 7, 2015, a true copy of which is attached to this affidavit and marked Exhibit "T" (GPEB0762). Mr. Mazure cited the requirement in the Minister's 2015/16 Mandate Letter for BCLC to respond to GPEB's AML standards. He requested that BCLC pursue certain objectives, the first of which was the development and implementation of additional customer due diligence practices based on financial industry standards with a focus on identifying both source of wealth and source of funds. I understood this to be a direction that BCLC implement one of the key recommendations of the Malysch Report.
132. On August 24, 2015, Mr. Lightbody sent a letter to Minister de Jong in response to Mr. Mazure's August 7, 2015 letter. Attached to this affidavit and marked Exhibit "U" (BCLC0004514) is a true copy of Mr. Lightbody's letter. I understood Mr. Lightbody to be pushing back on the proposal that BCLC implement practices to identify source of funds in regard to SCTs. Instead, he proposed the creation of a dedicated law enforcement gaming unit and further reliance on cash alternatives.
133. While GPEB supported the ideas proposed in Mr. Lightbody's letter, they remained convinced that a source of funds assessment was a critical component of an effective AML strategy. I agreed with Mr. Mazure that it was appropriate to seek the Minister's intervention by way of a directive in relation to this measure.

The September 2015 Ministerial Briefing

134. The strategy for the briefing with the Minister in September was to identify everything that GPEB was already working on, including the GPEB intelligence unit and the external review, and to identify options that would require ministerial decision, such as ministerial directives and either an expansion of GPEB's enforcement role or the creation of a joint interdiction team with police.
135. The information was pulled together and the briefing with the Minister took place in September 2015. A true copy of a draft Strategy Document prepared for this briefing has been marked in these Commission proceedings as Exhibit 552. I cannot say for certain whether this was the final version that was presented to the Minister during the September 2015 briefing, but Exhibit 552 certainly reflects the substance of what we presented to the Minister. Mr. Mazure and I were both present for the briefing. The Deputy Minister was also present, which was either Peter Milburn or Kim Henderson at the time.

136. The Strategy Document identified the need for “robust Know Your Customer (KYC) requirements with a focus on source of wealth and funds as being integral to the overall risk assessment process” and a protocol for refusing suspicious cash transactions. The Document identified for the Minister the scope of the SCT problem and the recent upward trend. It advised the Minister that BCLC continued to defend large cash buy-ins as a “cultural preference of wealthy Asian gamblers rather than a form of money laundering” and explained why GPEB was not satisfied with this explanation or with BCLC’s existing customer due diligence practices.
137. The Minister was completely supportive of the idea of creating a dedicated policing unit in addition to a GPEB Intelligence unit. He wanted an interagency solution involving the RCMP, GPEB and BCLC. The Minister was also supportive of the independent audit of existing customer due diligence practices, which became the MNP Review.
138. My recollection is that, in addition to the Strategy Document, Mr. Mazure also brought to the September 2015 briefing a separate document containing options for ministerial directives. I have reviewed the document that has been marked as Exhibit 553 in these Commission proceedings and I believe this to be either the Briefing Document containing the draft ministerial directives presented to the Minister or an earlier draft of that document.
139. The Minister decided not to issue any directives, but rather to send BCLC a letter of direction which reflected the language of the recommended directives.
140. I do not know why the Minister chose not to issue a ministerial directive to BCLC. GPEB had considered different forms of ministerial direction, including directives. I recall that one of the considerations was the question of whether the Minister would be seen to be entering into the operation of a Crown corporation and overstepping the role of the Board if he issued a directive.

Joint Illegal Gaming Investigation Team

141. Once Minister de Jong endorsed the idea proposed in the September 2015 briefing to develop a policing unit dedicated to gaming, Mr. Mazure, GPEB, and I devoted a considerable amount of time to getting the unit approved and operational. Attached to this affidavit and marked Exhibit “V” (GPEB0785) is a true copy of the briefing note prepared for the Minister setting out some options for this unit. GPEB’s preferred option was a joint interdiction team between GPEB and the RCMP, which the Minister approved.
142. Minister de Jong told us he wanted a collaborative model, with BCLC, GPEB, and law enforcement working together to leverage their collective resources. I contacted Deputy Minister Lori Wanamaker at the Ministry of Public Safety and Solicitor General, who recommended that GPEB and I work with ADM Clayton Pecknold, the Director of Police Services. We also needed to work directly with the RCMP. Mr. Meilleur had a good rapport with RCMP ‘E’ Division headquarters and became instrumental in facilitating that relationship.

143. In approximately October 2015, there was a meeting involving Minister de Jong, Minister Anton, myself, Ms. Wanamaker, the RCMP, and other staff. The purpose of this meeting was for everyone to come together to discuss the nature of the problem and the resource commitment needed to address it.
144. Once the Ministers and RCMP had endorsed the plan, funding needed to be secured and decisions made about how the unit would be structured and resourced. Further decisions were required about the role that various parties would play in the unit, including GPEB and BCLC. These issues were ironed out in a number of agreements and memoranda of understanding.
145. Minister de Jong was concerned that the funding for this unit not be diverted to other uses, so fenced funding needed to be put in place.
146. Minister de Jong determined that BCLC would pay for the Province's agreed-upon share of the costs of the unit. BCLC raised concerns about the cost and the Minister agreed to an increase in BCLC's cost ratio to account for this new expense. Attached to this affidavit and marked Exhibit "W" (GPEB4431) is a true copy of a memorandum from the Minister to me dated January 8, 2016 in which the Minister indicated his intention to request the increased cost containment ratio ("CCR") from Treasury Board. Attached to this affidavit and marked Exhibit "X" (GPEB4430) is a true copy of a memorandum from me to Mr. Lightbody advising him of the Minister's decision.
147. The preparatory work for the establishment of an integrated gaming enforcement unit culminated in a Ministerial Briefing package presented to the Minister on or about March 14, 2016, a true copy of which is attached to this affidavit and marked Exhibit "Y" (GPEB0859). The briefing proposed the creation of a Joint Illegal Gaming Investigation Team ("JIGIT") within CFSEU consisting of both police officers and GPEB investigators.
148. Minister de Jong approved the creation of JIGIT, which was publicly announced on April 11, 2016.

October 1, 2015 Letter of Direction

149. When the Minister chose to issue a letter of direction rather than a ministerial directive following the September 2015 briefing, I advised the Minister that I thought it was important for him to refer in his letter to Mr. Mazure's August 7, 2015 letter. I was concerned that if the Minister did not explicitly endorse the contents of Mr. Mazure's August 7th letter in his letter of direction to BCLC, it would undermine the authority of the General Manager as regulator.
150. Attached to this affidavit and marked Exhibit "Z" (GPEB0775) is a true copy of the letter of direction issued by Minister de Jong to BCLC Chair Bud Smith dated October 1, 2015. The letter specifically directed BCLC to take the actions set out in the General Manager's

August 7th letter and to implement a process for evaluating source of wealth and source of funds prior to cash acceptance.

151. I did not tell Mr. Lightbody that this direction from the Minister meant that BCLC could just keep doing what they were doing. I do not recall a phone conversation with Mr. Lightbody in which I told him that the Minister did not mean “all cash transactions”. However, if I did say that, I would only have been clarifying that the Minister did not expect source of funds to be assessed for all cash entering the casinos regardless of amount.
152. I recall a conversation with the Minister during a briefing by GPEB staff around this time that involved a discussion of how the source of funds analysis might work. The Minister indicated that he did not expect that a source of funds inquiry would be required for every cash buy-in, regardless of amount. GPEB staff explained to the Minister that they were anticipating BCLC establishing something like a threshold amount over which source of funds would need to be evaluated. That threshold would be determined on the basis of a risk assessment. This is what I understood Mr. Mazure and the Minister to be expecting from BCLC and I would not have told Mr. Lightbody otherwise.
153. I recall a phone call with BCLC Board Chair Bud Smith on October 9, 2015, which is confirmed in my calendar. I recall trying to speak with Mr. Smith to reinforce the need for BCLC to enhance their AML practices. Mr. Smith shut down the conversation, telling me, “I’m not going to wax the poetic on this with you, Cheryl.” He told me that he took his direction from the Minister. I understood Mr. Smith to be indicating that he was not interested in hearing from me on this issue.
154. In my view, BCLC could not have been labouring under a misapprehension that their existing source of funds practices were consistent with the expectations of the Minister or Mr. Mazure given the repeated communication from GPEB and the Minister insisting that BCLC implement *additional* practices to evaluate source of wealth and source of funds prior to cash acceptance.
155. On January 15, 2016, John Mazure sent a letter to Jim Lightbody, a true copy of which is attached to this affidavit and marked Exhibit “AA” (GPEB0806). Mr. Mazure expressed his continuing concern about the prevalence of SCTs and, referencing the October 1, 2015 letter of direction from the Minister, emphasized the expectation that BCLC would “implement AML best practices with appropriate consideration of evaluating the source of wealth and source of funds prior to cash acceptance as well as robust CDD policies and KYC requirements.”
156. On January 29, 2016, Minister de Jong issued the 2016/2017 Mandate letter to Board Chair, Bud Smith. Attached to this affidavit and marked Exhibit “BB” (GPEB3903) is a true copy of that letter. The mandate letter included a direction to BCLC, consistent with the direction from Mr. Mazure, that they implement AML practices that involved an evaluation of source of wealth and source of funds prior to cash acceptance within a risk based framework.
157. On July 14, 2016, Mr. Mazure sent a letter to Mr. Lightbody, a true copy of which is attached to this affidavit and marked Exhibit “CC” (GPEB0885). In response to additional

cash alternative proposals from BCLC, Mr. Mazure advised that fundamental to the AML strategy was the need to evaluate the source of funds and make a risk-based assessment of legitimacy prior to acceptance. He catalogued the many directions provided to BCLC to date requiring the implementation of a source of funds protocol. Mr. Mazure described some of the options available to BCLC, including a source of funds questionnaire and a threshold amount over which unsourced funds could not be accepted.

158. All of these letters were consistent with my understanding of the Minister's expectations of what BCLC was expected to do.
159. On August 3, 2016, Mr. Lightbody responded by letter to Mr. Mazure, a true copy of which is attached to this affidavit and marked Exhibit "DD" (GPEB0899). I understood Mr. Lightbody to be suggesting in this letter that BCLC already had adequate source of wealth and source of funds inquiries incorporated into their existing customer due diligence policies.
160. I recall that GPEB was not satisfied with BCLC's response.

MNP Report

161. In September 2015, GPEB engaged MNP LLP to conduct an evaluation of existing due diligence practices in BC casinos, with a particular focus on source of funds, source of wealth, and overall customer due diligence with respect to the handling of cash.
162. With an engagement like the MNP Report, the auditors normally provide information throughout the process. As a result, GPEB and I had a good sense of what MNP's findings and recommendations were going to be before the report was released. I recall attending a meeting with Minister de Jong and Mr. Mazure on April 4, 2016, which is referenced in my calendar. At that meeting, Mr. Mazure provided an update to the Minister on the AML strategy. The presentation included a description for the Minister of what was anticipated from the MNP Report. The Powerpoint presentation given by Mr. Mazure at this ministerial briefing has been marked in these Commission proceedings as Exhibit 582. The Minister was advised that MNP would be recommending the rejection of cash beyond an identifiable threshold where the source of funds could not be determined and verified. Next steps included consideration of the implementation of a cash threshold.
163. I have reviewed the document that has been marked in these Commission proceedings as Exhibit 554. It appears to be a draft Briefing Document prepared for the Minister with regard to possible directives to BCLC regarding the establishment of thresholds for the acceptance of unsourced cash, as recommended by MNP. The "Date Required" of May 31, 2016 would normally indicate that it was prepared in anticipation of a briefing on that date. However, the absence of a CLIFF number and a "Date Prepared" on this document suggest to me that it was likely a draft only. I have no recollection of this document being provided to me. My calendar confirms that I was on holidays on May 31, 2016. Mr. Mazure did not ask me to take any such proposal to the Minister at that time.
164. At the conclusion of MNP's work, they held an exit meeting with GPEB and BCLC. Mr. Lightbody, Mr. Mazure, and I were all in attendance. My calendar suggests that this

meeting likely took place on July 11, 2016. During this meeting, BCLC pushed back against MNP, questioning the credibility of the auditors and the data on which they had relied.

165. GPEB and I were provided with a draft of the MNP Report for review and comment before it was finalized. I felt that the initial draft of the Report failed to describe much of the AML efforts put in place since September 2015 and I recall asking that these be incorporated so as not to leave an incomplete impression. I also provided some feedback regarding the tone of the report, which included qualitative language that was not adequately supported. My recommendations were with respect to context and tone only. I did not ask MNP to revise any of their findings or recommendations.
166. The report was concluded on July 26, 2016. Attached to this affidavit and marked Exhibit "EE" (BCLC0000225) is a true copy of the MNP Report.
167. The MNP Report included a recommendation that limits be set for the amount of unsourced or unverified cash (e.g. Report sections 4.2, 5.52, 5.69, and 5.74). The Report did not recommend that a source of funds determination be made for all cash transactions. Rather, it recommended the establishment of a threshold over which cash buy-ins would require source verification. Similarly, I did not understand the Report to suggest a hard cash cap irrespective of the patron's ability to document the legitimate source of funds.
168. One concern I did have with the MNP Report was that it appeared to assign roles and responsibilities to certain parties that were not necessarily consistent with the statutory division of responsibilities or with the framework that BCLC and GPEB had spent months developing with the support of a third party. I believe Mr. Mazure had similar concerns.
169. I asked Mr. Mazure and Mr. Lightbody to prepare a response to the MNP Report. It is standard practice in government upon receipt of a report of this nature for the program areas involved to coordinate a response to the report's recommendations and create an action plan.
170. I did not tell Mr. Mazure that GPEB and BCLC needed to agree on the implementation of the MNP Report's recommendations. I asked him to work with Mr. Lightbody to prepare a joint response to the MNP Report in keeping with the government's expectation for these kinds of reports. That did not mean the parties had to accept all recommendations or come to an agreement on all issues. It was acceptable for responses to reports to include divergent opinions.
171. Mr. Mazure and Mr. Lightbody prepared a Briefing Document for the Minister to update him on their work on the response to the MNP Report. A copy of that Briefing Document has been marked in these Commission proceedings as Exhibit 555. This Briefing Document was part of the briefing package provided to the Minister during a briefing held on October 13, 2016.
172. I was aware that BCLC and GPEB had different views on the MNP Report and I expected that their response would reflect those differing views on certain issues. The request that

GPEB and BCLC work together on a response to the MNP Report did not prevent either party presenting their different perspectives to the Minister, which is, in fact, what happened at the October 13, 2016 briefing.

173. A series of pre-briefings occurred in anticipation of the briefing with the Minister, all of which are confirmed by my calendar. On October 4, 2016, GPEB provided me with a pre-briefing to discuss what they intended to present to the Minister.
174. On October 7, 2016, a pre-briefing was provided to Deputy Minister Mentzelopoulos. At this briefing, Mr. Mazure alerted the DM that BCLC was challenging the credibility of the MNP Report. The DM requested that GPEB obtain background information regarding the credentials of the authors of the MNP Report in order to support the credibility of the Report during the briefing with the Minister.
175. On October 12, 2016, Mr. Mazure provided a pre-briefing to Minister de Jong. Ms. Mentzelopoulos and I were also in attendance. Mr. Mazure took the opportunity at this pre-briefing, in the absence of BCLC, to advise the Minister candidly about his disagreements and concerns with BCLC.
176. The October 13, 2016 briefing with the Minister was attended by Mr. Mazure, Ms. Mentzelopoulos, Bud Smith, Jim Lightbody and myself. I believe Mr. Mazure presented to the Minister the Briefing Document that has been marked in these Commission proceedings as Exhibit 555.
177. At this meeting, Mr. Mazure advised the Minister of GPEB's view that BCLC needed to enhance its customer due diligence practices with respect to source of funds determination prior to cash acceptance. Mr. Smith and Mr. Lightbody did not agree. They advised the Minister that they disagreed with some of the findings and recommendations of the MNP Report. They also said that BCLC had already enhanced their AML practices subsequent to the time period examined by MNP and were now leading the industry in AML best practices. BCLC told the Minister they had an AML expert working for them, Robert Kroeker, and had received extremely positive feedback from FINTRAC.
178. I recall becoming frustrated during this meeting. Bud Smith was very forceful in his assertions that BCLC was doing all that was necessary and I was concerned that the Minister would be persuaded. The information I had received from Mr. Mazure was that, although BCLC had implemented additional customer due diligence and source of funds protocols, these protocols were not always being implemented effectively and unacceptable levels of unsourced cash were still being accepted.
179. I recall interrupting and pushing back on BCLC's position because I believed there was still a significant problem to be addressed and I wanted the Minister to support Mr. Mazure in this regard.
180. I told the Minister that, in my view, BCLC's efforts were not enough. I acknowledged that BCLC had made significant progress and changes that had resulted in a substantial reduction in the number of SCTs, but I told the Minister that BCLC needed to do more. GPEB and MNP had both identified opportunities to further reduce risk. I believed that

GPEB and BCLC had different risk tolerances for SCTs and the associated money laundering risks.

181. I do not recall how the Minister responded to the information presented in this briefing. My general recollection was that there was an expectation leaving this meeting that BCLC would need to do more and would need to work with GPEB.
182. There was a consistent expectation from the Minister that GPEB and BCLC would work through their differences and come to him with solutions. My understanding was that he was prepared to hear differences of opinion but preferred not to have to choose between two conflicting viewpoints, especially between parties who had expertise on the subject matter.
183. One of the other Briefing Documents presented to the Minister during the October 13, 2016 briefing was an update on the work that Mr. Lightbody and Mr. Mazure were doing to lead their teams in better defining their respective roles and responsibilities based on shared principles. Attached to this affidavit and marked Exhibit "FF" (GPEB4449, pp.116-131) is a true copy of that Briefing Document, which included the draft agreement they had been working on. GPEB and BCLC were actively working on resolving their conflicts and improving their relationship.
184. I recall multiple instances in which Minister de Jong sent disagreeing parties away to hammer out their differences. In one instance, BCLC was planning to renegotiate their standard Operating Service Agreement ("OSA") with service providers. They had done considerable work on what the new OSA would entail, but some of the service providers were not in agreement with BCLC's direction. At a meeting between the Minister, BCLC, and the service providers, the Minister heard the competing viewpoints, but rather than siding with either party, directed the parties to go away and come back with a solution. His approach with GPEB and BCLC was similar.

Joint Briefing Notes

185. There was a pre-existing practice in place in Gaming before it came to the Ministry of Finance that BCLC and GPEB would present joint briefing notes on issues where they had shared accountability. Joint briefings are a normal practice in government for ministerial briefings where there is more than one body with responsibility.
186. When I first joined the Ministry of Finance, Mr. Scott and Mr. Graydon chose to provide joint briefing notes on such issues. They did so without any request from me for joint briefings notes.
187. That practice continued under Minister de Jong. However, this practice did not apply to very many briefing documents. It did not apply to the September 2015 briefing note, for example. For briefings on things like mandate letters, there was an expectation of a joint briefing note. Likewise, for Issues Notes relating to communications issues, it was important to have both perspectives on a single briefing note to ensure that the Minister's messaging to the public was consistent.

188. If GPEB were to provide the Minister with a one-sided perspective, we would inevitably be asked, "What does BCLC say about this?" The intent of joint briefing notes was to provide the Minister with both perspectives on an issue to allow for full consideration of viewpoints.
189. It was not *my* policy that GPEB and BCLC were required to provide joint briefing notes. It was, rather, both the normal practice in government and the expectation of the Minister that where an issue touched on an area of overlapping responsibility, a single briefing package would be provided to the Minister that conveyed all significant information on the topic that incorporated the perspectives of both parties.
190. I never directed that disagreements between BCLC and GPEB should be downplayed for the purpose of preparing a joint briefing note. I do not recall hearing concerns that the practice of joint briefing notes was diluting differences of opinion. When I was told by Mr. Mazure that GPEB and BCLC had differences of opinion, I directed that both sides set out their respective positions and rationales so that the Minister could weigh the different perspectives.
191. If any concern unique to BCLC or GPEB was not adequately expressed in a joint briefing note, there would usually be an opportunity to raise such issues verbally at telephone and in-person briefings with me and with the Minister. I always encouraged my staff to speak freely both to me and to the Minister and Deputy Minister.
192. I had many briefings with the Minister because I had many program responsibilities. As a general practice, I did not have briefings with the Minister regarding gaming without Mr. Mazure (or someone acting for him) in attendance. At these briefings, my practice was to ask Mr. Mazure, as the policy lead, to present the briefing to the Minister. If Mr. Mazure felt that any concerns had not been adequately reflected in a joint briefing note, he was always at liberty to convey this information to the Minister at the in-person briefings.
193. Mr. Mazure and I had many briefings with the Minister at which BCLC was not in attendance, but the converse was not the case. I had very few meetings between BCLC and the Minister at which GPEB was not present. I believe the only such meetings would have related to financial matters, such as the annual visits to Treasury Board. Those briefings would have been attended by the ADM of Corporate Service rather than the ADM for GPEB.

2017 Proposed Directive

194. Shortly after the October 13, 2016 briefing, I had discussions with Mr. Mazure about how to move forward. My recollection is that Mr. Mazure did not believe that he and BCLC would be able to come to an agreement on the source of funds issue. I shared his view in light of what had transpired that year.
195. We discussed what GPEB might be able to do on their own and what we might need to take to the Minister.

196. I advised the Deputy Minister that GPEB felt they were having trouble getting cooperation from BCLC and that they were considering options to bring to the Minister.
197. I requested a briefing that would clarify the scope of the Minister's and GM's authority over BCLC. Attached to this affidavit and marked Exhibit "GG" (GPEB5059) is a true copy of the Briefing Document that I received in response to this request. This document confirmed the view that the General Manager could not issue directives directly to BCLC without first obtaining the approval of the Minister.
198. I was surprised by the conclusion in this Briefing Document that the regulatory powers of the General Manager of GPEB did not extend to BCLC's activities in its conduct and management of gaming. Most orientations and briefings I had received described GPEB as the regulator for the gaming industry, including BCLC. See, for instance, page 9 of the June 2013 orientation briefing presented by Doug Scott, described above and attached to this affidavit as Exhibit "D" (GPEB4336).
199. My recollection is that following the October 13, 2016 meeting, BCLC did strengthen the implementation of their protocols resulting in a further decline in SCTs. Nonetheless, GPEB remained concerned that the numbers were still too high.
200. In December 2016, the Minister issued the 2017/2018 Mandate Letter to Bud Smith, Board Chair for BCLC. Attached to this affidavit and marked Exhibit "HH" (GPEB4319) is a true copy of that letter. Once again, the Minister directed BCLC to enhance its AML best practices "with appropriate consideration of evaluating source of funds prior to cash acceptance within a risk-based framework."
201. Consistent with this direction, the Ministry's 2017/18 – 2019/20 Service Plan, which was approved by the Minister in the fall of 2016 and released in February 2017, included as an explicit strategy that the Ministry would, "Implement initiatives to enhance government's Anti-Money Laundering (AML) Strategy including a risk-based cash acceptance framework." A true copy of that Service Plan is attached to this affidavit and marked Exhibit "II". The significance of the inclusion of this strategy in the Service Plan was that achieving this objective now became a specific accountability for GPEB rather than just a direction to BCLC.
202. In January 2017, I spoke again with Mr. Mazure about the option of approaching the Minister with a proposal for a directive that would require BCLC to implement additional measure to address unsourced cash. Although BCLC had made progress since the release of the MNP Report, Mr. Mazure remained concerned that there was not consistent implementation of the source of funds declarations and that, as a result, service providers were not turning away enough suspicious transactions. I told Mr. Mazure that I would support him in bringing forward a proposal for a directive and that I wanted to get it before the Minister as soon as possible.
203. Mr. Mazure expressed concern that BCLC would not be agreeable with the solution he intended to propose. I directed him to prepare a briefing note that set out the different viewpoints and rationales of GPEB and BCLC for the Minister's consideration. Attached to this affidavit and marked Exhibit "JJ" (GPEB5083) is a true copy of an email chain that

includes emails between myself, Mr. Mazure, and his staff which confirms my direction that the joint briefing note could incorporate the different perspectives.

204. At the time, GPEB was trying to gain a better understanding of the workings of BCLC's existing source of cash protocols in order to determine the exact nature of the directive they would propose to the Minister.
205. Mr. Mazure prepared a Briefing Document, one version of which has been marked in these Commission proceedings as Exhibit 584 and another version of which has been marked as Exhibit 556. I believe that, between the two, Exhibit 556 was the later draft, although I cannot be certain. Exhibit 556 contains on page 7 what I believe to be an accurate summary of the position taken by BCLC in response to the pressure from GPEB to implement certain MNP recommendations. In particular, BCLC was expressing opposition to a requirement that service providers turn away unsourced cash exceeding certain thresholds.
206. I shared this Briefing Document with Deputy Minister Mentzelopoulos, even though it was not yet complete. The Deputy Minister's review process took time and I wanted to give her advance opportunity to consider the issues so that we could take the proposal quickly to the Minister as soon as it was ready. Ms. Mentzelopoulos was supportive of bringing this proposal for a directive to the Minister.
207. Before GPEB could finalize their proposal, the Ministry's executives were all advised by the Deputy Minister that the government would not be pursuing any further policy initiatives before the upcoming May 2017 provincial election.
208. I recall that Mr. Mazure was very frustrated and upset because this meant there would be no ministerial approval for a directive in the immediate future.
209. I contacted the Deputy Minister's office to ask whether GPEB could still present their briefing to the Minister. I was told that the decision not to consider further policy before the election included GPEB policy.
210. To the best of my knowledge, this was the only time that I was asked by the General Manager of GPEB to bring a policy proposal to the Minister regarding the regulation of gaming and was unable to do so.

JIGIT Update

211. In early 2017, I was briefed by GPEB staff and JIGIT on their work. I recall being told about concerns relating to organized crime in the casinos and concerns about the use of bank drafts as a potential vehicle for money laundering. Following this meeting, there was a joint briefing with myself and Mark Sieben, the Deputy Minister of PSSG, where the same information was shared. The information was concerning to both of us.

212. As a result of these briefings, I briefed Ms. Mentzelopoulos and arranged for a joint briefing of both responsible ministers so they could receive the same update.
213. That meeting occurred on March 13, 2017, as confirmed by my calendar. Minister de Jong and Minister Morris were both in attendance, as were Mr. Sieben, Ms. Mentzelopoulos, Mr. Mazure, Mr. Pecknold, myself, and GPEB and JIGIT representatives. The intention was to update the two ministers on JIGIT's progress on this investigation. However, both ministers requested they not be advised about the investigation or anything confidential due to the immediacy of the election.

The General Manager's Regulatory Authority

214. The General Manager of GPEB had the statutory authority to issue public interest standards. My understanding was that he did not require approval from the Minister to issue a public interest standard.
215. When GPEB met with resistance from BCLC in implementing the customer due diligence protocols that GPEB believed were necessary, I recall encouraging Mr. Mazure to consider his statutory authority as General Manager and to determine whether he could implement these requirements directly.
216. I do not know why Mr. Mazure did not exercise his authority to issue a public interest standard. I recall asking him whether he was going to implement one, but I do not recall his response.
217. I remember advising Mr. Mazure that he needed to more fully embrace his role and authority as General Manager, but I do not know what legal advice he may have received that may have impacted his understanding of that authority.

Relationship with Mr. Mazure

218. Mr. Mazure clearly felt comfortable expressing disagreement with me from time to time, but we always maintained a productive and professional relationship and I did my best to support him in his role. I was putting pressure on Mr. Mazure to produce concrete Phase 3 solutions and I did, at times, express concern about how long it was taking for GPEB to produce deliverables. However, Mr. Mazure was never on "thin ice" with me during my tenure as Associate Deputy Minister.
219. I do not recall ever declining to bring to the Minister any policy ideas or concerns that Mr. Mazure wanted to bring to the Minister's attention. Apart from the spring of 2017 when we were instructed that no policy would be considered before the election, any time Mr. Mazure wished to present something to the Minister, I requested a meeting with the Minister.

220. Meetings with the Minister were difficult to arrange. The Minister had an extraordinarily busy calendar, so much so that he was not even conducting the quarterly meetings with his Crown Corporations required by policy. After Ms. Mentzelopoulos became Deputy Minister, access to Minister de Jong was further restricted, as she required all proposed ministerial briefings to be run through her first. When meetings with the Minister could not be arranged, we sent up a briefing note in writing.


Efforts to Reform the *Gaming Control Act*


221. One of the challenges for GPEB was that its governing legislation, the *Gaming Control Act*, was outdated and in need of revision. This led to uncertainty about roles and responsibilities and the scope of the General Manager's regulatory authority as it related to BCLC.
222. I attended at least two ministerial briefings in two different years with staff from GPEB and the Policy and Legislative Branch at which we tried to obtain the Minister's approval for getting the *Gaming Control Act* onto the legislative agenda for a significant update and modernization.
223. The first such meeting that I attended was in either late 2013 or early 2014. It was also attended by Suzanne Bell, who was GPEB's Executive Director responsible for corporate service and policy. During that meeting, I recall being told by the Minister that a change of that significance to the *Gaming Control Act* was not a priority at the time, but it might be possible to make minor changes.
224. GPEB identified the amendment they wished to make a priority, which involved correcting a gap in GPEB's enforcement powers with respect to registrants. GPEB brought forward a Briefing Document which was sent up to the Minister requesting a "housekeeping" change to the Act. Attached to this Affidavit and marked Exhibit "KK" (GPEB4669) is a true copy of the Briefing Document that went to the Minister. The Minister did not approve the legislative change being made in a Miscellaneous Amendment Bill as requested, but did approve the change being made in the next legislative session. The change to the Act was submitted and enacted in the fall of 2014.
225. I cannot recall the date of the second meeting I attended at which the Minister was asked to consider putting the *Gaming Control Act* as a whole onto the legislative calendar. It was during Mr. Mazure's tenure as ADM following the GPEB reorganization and was attended by Michele Jaggi-Smith. It would have been in either 2015 or 2016. On this occasion, the Minister did approve putting the Act onto the legislative calendar.
226. However, when we received the Ministry's legislative calendar, the *Gaming Control Act* had been scheduled for approximately four years out. My understanding is that decisions about the legislative calendar and the government's priorities were managed by ADM Heather Woods, who reported to the Deputy Minister of Finance, in consultation with Cabinet Operations. I was not privy to those discussions.

Termination

227. I was one of several executives terminated following the change in government after the May 2017 election. I was terminated without cause and was not given a reason for my termination.
228. I was not interviewed by Peter German during his preparation of the March 31, 2018 "Dirty Money" Report.
229. At the time I left government, GPEB remained seriously concerned about the amount of suspicious cash coming into casinos and appeared to have reached an impasse with BCLC on the source of funds issue.
230. Having said that, I am proud of the work that GPEB did in the four years that I was Associate Deputy Minister. We strengthened the capacity of GPEB, developed an intelligence unit/transactional analysis team, created JIGIT, and brought about significant changes to BCLC's practices. While these changes did not go as far as we wanted, we did achieve substantial reductions in the value of suspicious cash coming into casinos and established a framework that has been built upon since my departure.

SWORN BEFORE ME at Victoria,
British Columbia on April 8, 2021.


A Commissioner for taking Oaths for
the Province of British Columbia


Cheryl Wenezenki-Yolland

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1

This is Exhibit "A" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1

October 8, 2015 Continued

Thursday

10:15 AM - 11:00 AM	QP
11:00 AM - 12:00 PM	Mary's Weekly meeting -- Cheryl's office
1:30 PM - 3:00 PM	Division Executive Meeting -- 109 - 617 Government - Executive Brdm
3:15 PM - 4:15 PM	Appeals Briefing -- 109 - 617 Government - Executive Brdm
5:30 PM - 9:30 PM	Private Appointment

October 9, 2015

Friday

9:00 AM - 10:00 AM	MFEX Sub-Committee of ADM's for Critical Hires -- FIN R 617 Government, Rm N303, Seats 25 FIN:EX
10:45 AM - 11:00 AM	Re: Review - Cheryl WY /Dave Byng -- Cheryl will call Dave at 7-2026
11:00 AM - 12:00 PM	Pre-Brief Cheryl -- Cheryl's office
11:00 AM - 11:30 AM	OIC Briefing for October 14 Minister's Meeting -- Kim's Office
1:30 PM - 3:00 PM	CARO/PSEC Website Discussion -- FIN R 617 Government, Rm N301, Seats 10 FIN:EX
3:00 PM - 3:30 PM	Touch Base - Cheryl /Bud -- Bud to call Cheryl
3:30 PM - 5:00 PM	Executive Profile - REQUESTED BY OCT 15

October 12, 2015

Monday

All Day	STAT Thanksgiving Day
1:45 PM - 2:30 PM	QP
5:30 PM - 9:30 PM	Private Appointment

October 13, 2015

Tuesday

9:00 AM - 9:30 AM	Weekly - Shelley/Tammy -- Cheryl's office
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April 4, 2016**Monday**

9:00 AM - 9:30 AM	Weekly - Shelley/Sarah --
10:30 AM - 11:00 AM	Briefing -Minister /Cheryl /John
11:00 AM - 12:00 PM	BCLC, Ministry & PBC -- Conference Call
12:00 PM - 1:00 PM	
1:30 PM - 2:30 PM	QP
3:30 PM - 4:30 PM	Minister Briefing - FOI Communication
5:30 PM - 9:30 PM	Private Appointment

April 5, 2016**Tuesday**

9:30 AM - 10:00 AM	Christina and Cheryl.....Open House discussion
10:00 AM - 11:00 AM	QP
10:00 AM - 10:30 AM	Minister Mtg De-brief
1:30 PM - 2:30 PM	MDJ - review and signing
3:00 PM - 3:30 PM	Records
3:30 PM - 4:30 PM	David's weekly --

April 6, 2016**Wednesday**

9:30 AM - 10:00 AM	Jacque Dawes & Cheryl Wenezenki-Yolland -- Teleconference
10:00 AM - 11:00 AM	Kate's weekly --
11:30 AM - 12:00 PM	De brief on OIC signing meeting
1:00 PM - 2:30 PM	Division Executive Meeting --

May 25, 2016 Continued

Wednesday

2:30 PM - 3:00 PM	Travel Time
3:00 PM - 4:00 PM	DMCMH
4:00 PM - 5:00 PM	Office Time

May 26, 2016

Thursday

8:00 AM - 8:30 AM	Meeting: Cheryl/Athana
8:30 AM - 9:00 AM	Cheryl, John, Steve - BCLC discussion
9:00 AM - 9:30 AM	DM Briefing: Cheryl, David and Athana
9:30 AM - 10:00 AM	Office Time - no meetings
10:00 AM - 10:30 AM	Reference Check
10:30 AM - 11:00 AM	Cheryl, Chris - Touching base
11:00 AM - 11:30 AM	Cheryl, Sarah - <small>Personal Information</small>
11:30 AM - 12:00 PM	Meeting: Cheryl, Stuart and Athana
1:00 PM - 5:30 PM	Out of Office
5:30 PM - 9:30 PM	Private Appointment

May 27, 2016

Friday

12:00 AM - 12:00 AM	<small>Personal Information</small>
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May 28, 2016

Saturday

All Day	<small>Personal Information</small>
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Please See Above

May 29, 2016

Sunday

All Day

Personal Information

Please See Above

May 30, 2016

Monday

All Day

Personal Information

Please See Above

5:30 PM - 9:30 PM

Private Appointment

May 31, 2016

Tuesday

All Day

Personal Information

Please See Above

June 1, 2016Wednesday

All Day

Personal Information

June 2, 2016Thursday

All Day

Personal Information

Please See Above

June 3, 2016Friday

All Day

Personal Information

Please See Above

June 4, 2016Saturday

All Day

Personal Information

Please See Above

June 5, 2016Sunday

All Day

Personal Information

Please See Above

June 6, 2016Monday

12:00 AM - 12:00 AM

Personal Information

Please See Above

June 7, 2016Tuesday

9:00 AM - 9:30 AM

Weekly - Sarah/Lianna -- Security Concern

10:00 AM - 10:30 AM

Cheryl, Kate, Gilbert, Sasha Crown Board Chairs Meeting - Update and pre-brief to the briefing on Thursday -- Security Concern

11:00 AM - 12:00 PM

Kate's weekly -- Security Concern

1:00 PM - 2:00 PM

Office Time- Review Time

2:00 PM - 3:00 PM

Cheryl, Lianna re: Touching Base -- Security Concern

3:30 PM - 4:30 PM

David's weekly -- Security Concern

July 6, 2016 Continued

Wednesday

4:30 PM - 5:00 PM

Lori/Cheryl RE: Succession Management - Security Concern

July 7, 2016

Thursday

8:30 AM - 9:00 AM

CWY/Stuart - Athana -- Security Concern

10:30 AM - 11:15 AM

Presentation at GPEB Executive meeting -- Security Concern

1:00 PM - 2:00 PM

Cheryl/Sasha 1:1 (OBO Kate) - Security Concern

2:00 PM - 3:00 PM

Office Time - Review Signing book items - Travel items

3:00 PM - 4:00 PM

Cheryl, David, Michael, Karen FOIPPA -- Security Concern
Security Concern

4:00 PM - 5:00 PM

CIRMO budget discussion -- Security Concern

July 8, 2016

Friday

9:30 AM - 10:30 AM

CIRMO 1:1 David's weekly -- Security Concern

10:30 AM - 11:00 AM

Cheryl, Chris, Stephen, Alex Pref brief to DM Update on July 12th - Security Concern

11:00 AM - 12:00 PM

Office Time - Review DMCMMH Material for July 20th meeting

1:00 PM - 2:00 PM

Office Time - Review items in signing book

July 11, 2016

Monday

9:00 AM - 11:30 AM

MFEX -- Security Concern

11:30 AM - 12:00 PM

Calendar Meeting Weekly - Sarah/Lianna -- Security Concern

12:45 PM - 1:30 PM

(12:45 pm) Jim Lightbody & Cheryl Wenezenki-Yolland - Update Mtg -- Security Concern
Security Concern

1:30 PM - 3:30 PM

MNP debrief -- Security Concern
access)

(call Sarah 250-387-8499 for

October 3, 2016**Monday**

9:00 AM - 10:30 AM	Ministry of Finance IMA Presentation to SDSI Executive -- Security Concern	
1:00 PM - 2:00 PM	CARO - ML Review - ARR, MTICS, SDSI Cheryl, Kate, Erik, Sasha, Darren -- Security Concern	
2:00 PM - 2:30 PM	CARO - Cheryl and Kate -- Security Concern	
2:30 PM - 3:00 PM	CIRMO - Cheryl/David - Pre-brief to meeting with DM FOI -- Security Concern	
3:00 PM - 4:00 PM	Office Time	
4:30 PM - 5:00 PM	DM Update (by phone): Cheryl, Stuart and Athana -- Athana to phone Cheryl's Office at Government Financial Information	

October 4, 2016**Tuesday**

7:30 AM - 8:00 AM	Travel to Vancouver via Pacific Coastal flight 8P100 Check in 45 mins prior to departure time -- Arriving in Vancouver at 725 South Terminal	
9:30 AM - 11:00 AM	GPEB - Pre-brief to Oct 13th Minister's meeting with BCLC -- Security Concern	/Via TC
3:30 PM - 4:00 PM	Weekly: Cheryl Wenezenki-Yolland & Athana Mentzelopoulos -- Security Concern	
4:00 PM - 4:30 PM	Bi-Weekly FOI Update: Cheryl, David and Athana -- Security Concern	

October 5, 2016**Wednesday**

All Day	Personal Information
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October 6, 2016**Thursday**

All Day	Personal Information
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October 7, 2016**Friday**

9:00 AM - 9:30 AM	Office Time - Decision summaries ML -- Erik to come up to discuss this morning
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October 7, 2016 Continued

Friday

9:30 AM - 10:00 AM David - Cheryl discussion Security Concern

10:00 AM - 10:30 AM GPEB Advice/Recommendations - Pre-brief with John prior to Oct 11th meeting -- Security Concern

10:30 AM - 11:00 AM DM Pre-brief: Cheryl, John and Athana -- Security Concern

11:00 AM - 12:00 PM PD FORUM STEERING COMMITTEE MEETING -- VIA TC - LOGISTICS NOTED BELOW

1:30 PM - 2:00 PM DMOF presentation to Committee - FOI with David -- Security Concern
Security Concern

2:30 PM - 3:00 PM CIRMO - Cheryl, David, Sharon, Ken, HB, Jill -- Via TC - logistics below

3:00 PM - 3:30 PM CIRMO 1:1 David's weekly -- Security Concern

3:30 PM - 3:45 PM Cheryl/Sabine re: Discussion - Succession Management -- Security Concern

October 11, 2016

Tuesday

9:00 AM - 10:30 AM Information Management Presentations to Ministry Executives - Executive Committee Meeting -- Security Concern
Security Concern
Dial in: Government Financial Information Participant:
Government Financial Information Moderator: (Lisa Gibbs)

9:00 AM - 10:00 AM Calendar Meeting Weekly - Sarah/Lianna -- Security Concern

9:45 AM - 10:00 AM Quick question -- Cindy to call Cheryl at Government Financial Information

10:00 AM - 10:30 AM Weekly - Cheryl and Lianna -- Security Concern

11:00 AM - 12:00 PM CARO - Weekly meeting Cheryl, Sasha -- Security Concern

1:00 PM - 1:30 PM GPEB - Cheryl, John, Michele, Sasha BCLC Accountabilities - Security Concern

1:30 PM - 2:00 PM IAAS - 1:1 Chris' weekly -- Security Concern

2:00 PM - 3:00 PM Cheryl, Richard, Lianna - De-brief from Sept 27th Planning Session/Sign off Interview Questions -- Security Concern

October 11, 2016 Continued**Tuesday**

3:00 PM - 4:00 PM Office Time

4:00 PM - 6:00 PM Long service awards Pre reception -- Art Gallery of Greater Victoria, 1040 Moss Street

7:00 PM - 9:30 PM LSA

October 12, 2016**Wednesday**

9:00 AM - 10:30 AM Copy: Advice/Recommendations -- Security Concern

11:00 AM - 12:00 PM Minister: Pre-brief -- Security Concern 1/ Government Financial Information Security C, Participant code: Government

1:00 PM - 1:30 PM DMCMH -- T/C Government Financial Participant ID Government Security Concern
Security Concern

1:30 PM - 2:30 PM Office Time - Review ML Decision Summaries

2:30 PM - 3:00 PM Tracy Mandur, Cheryl, Lianina -- Security Concern (TBC)

3:00 PM - 3:30 PM CARO - Cheryl and Erik = ML Decision Summary Review -- Security Concern

4:00 PM - 5:00 PM Meeting with the OIPC - Ministry of Education and Ministry of Finance -- Security Concern
Security Concern ; Victoria BC

October 13, 2016**Thursday**

8:30 AM - 9:15 AM GPEB - 1:1 John / Cheryl -- Airport

9:15 AM - 9:40 AM Travel to Vancouver via Pacific Coastal flight 8P104 at 915 -- Reservation Government of Finance Arriving in Vancouver at 9:40

12:00 PM - 12:30 PM Weekly: Cheryl Wenezenki-Yolland & Athana Mentzelopoulos -- Security Concern

1:00 PM - 2:00 PM MDJ/BCLC -- Security Concern or Government Financial, Participant code ID: Government Financial Info

4:45 PM - 5:15 PM CIRMO 1:1 David's weekly -- Cheryl to call David on his cell Personal Information

October 13, 2016 Continued

Thursday

4:45 PM - 5:10 PM

Travel to Victoria via Pacific Coastal flight 8P123 at 445 -- Reservation ^{Government Financial}

Arriving in Victoria at 5:10

October 14, 2016

Friday

8:15 AM - 8:40 AM

Travel to Vancouver via Pacific Coastal at 815 am flight 8P102 -- Reservation ^{Government Financial} Arriving at 840am

9:00 AM - 10:30 AM

Travel to Security Concern

Burnaby

10:30 AM - 11:30 AM

Visit to GPEB Lower Mainland Office ^{Security Concern}

Burnaby

12:00 PM - 12:30 PM

Travel to Surrey

1:00 PM - 2:30 PM

JIGIT Presentation at Green Timbers offices - Surrey -- Security Concern

Security Concern

3:30 PM - 4:00 PM

CARO - Cheryl/ ^{Personal Information}-- Cheryl to call ^{Personal} at ^{Government Financial Information}

4:45 PM - 5:10 PM

Travel to Victoria via Pacific Coastal flight 8P123 at 445 -- Reservation ^{Government Financial}

Arriving at 510

October 17, 2016

Monday

9:00 AM - 9:30 AM

Calendar Meeting Weekly - Sarah/Lianna -- ^{Security Concern}

9:30 AM - 10:00 AM

CIRMO - ^{Government Financial Information}-- Briefing for Cheryl David, Steve, Susan -- ^{Security Concern}

10:00 AM - 12:00 PM

Office Time

1:00 PM - 2:00 PM

Taxpayer Accountability Principles Discussion with CSCD (Cheryl, Jacquie, Kevin, Melanie, Jim, Kate, YJ) -- ^{Security Concern}

2:30 PM - 3:30 PM

Cheryl, Deb Fayad, Elizabeth, Christine, Roberta Re: Finance Key Stream/Potential HR Executive Recruitment Services -- ^{Security Concern}

3:30 PM - 4:00 PM

Cheryl/Drew -- Drew to call Cheryl at [REDACTED]

4:00 PM - 4:30 PM

Cheryl and David pre-brief to FOI discussion with DM on 10/18 -- ^{Security Concern}

March 9, 2017 Continued**Thursday**

1:00 PM - 1:30 PM	Cheryl and ^{Personal Information} Follow up discussion - Executive Performance Succession Management -- Security Concern
1:30 PM - 3:00 PM	Office time
3:00 PM - 3:30 PM	Cheryl and ^{Personal Information} Follow up discussion - Executive Performance and Succession Management -- Security Concern
3:30 PM - 4:00 PM	Cheryl and ^{Personal Information} Follow up discussion = Executive Management and Succession Management -- Security Concern
4:00 PM - 4:30 PM	Cheryl and ^{Personal Information} = 1:1 and FOI pre-brief to meeting with Athana -- Security Concern

March 10, 2017**Friday**

8:30 AM - 8:45 AM	Division Media scan -- Government Financial Information, Security Concern (Lianna is moderator)
9:00 AM - 10:30 AM	Executive Submissions
10:30 AM - 11:00 AM	Bi-Weekly FOI Update: Cheryl, David and Athana -- Security Concern
12:00 PM - 1:00 PM	Cheryl/Athana (bi-weekly and submission review) -- Security Concern
1:00 PM - 2:00 PM	Appeals Briefing -- Security Concern
2:00 PM - 2:30 PM	REVIEW MATERIAL FOR MEETING ON MONDAY
2:30 PM - 3:00 PM	Cheryl to call Chris -- [REDACTED]
2:45 PM - 3:00 PM	Cheryl to call David Curtis -- [REDACTED]

March 13, 2017**Monday**

8:30 AM - 8:45 AM	Division Media scan -- Government Financial Information, Security Concern (Lianna is moderator)
9:30 AM - 10:30 AM	Cheryl and Lianna - Weekly meeting -- Security Concern
11:00 AM - 11:30 AM	Meeting: Cheryl, Jamie, David and Athana -- Security Concern

March 13, 2017 Continued**Monday**

1:30 PM - 2:30 PM	QP
2:30 PM - 3:00 PM	Calendar Meeting Weekly - Sarah/Lianna -- Security Concern
3:45 PM - 4:15 PM	Pre meeting with John, Len and Cheryl -- Security Concern
4:15 PM - 4:30 PM	MDJ/Athana/CWY/John -- Security Concern
4:30 PM - 5:30 PM	MDJ/Minister Morris/CWY/John/M. Sieben/C. Pecknold/L. Meilleur -- Security Concern

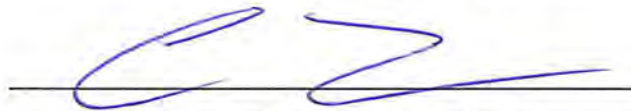
March 14, 2017**Tuesday**

8:30 AM - 8:45 AM	Division Media scan -- Government Financial Information Security Concern	(Lianna is moderator)
9:00 AM - 10:00 AM	Office Time	
10:00 AM - 11:30 AM	QP	
11:30 AM - 12:00 PM	CARO - Weekly meeting Cheryl, Angela -- Security Concern	
1:00 PM - 2:00 PM	IAAS - 1:1 Chris' weekly -- Security Concern	
2:00 PM - 4:00 PM	IM117 Training	
4:00 PM - 5:00 PM	GPEB - 1:1 John / Cheryl -- Security Concern	

March 15, 2017**Wednesday**

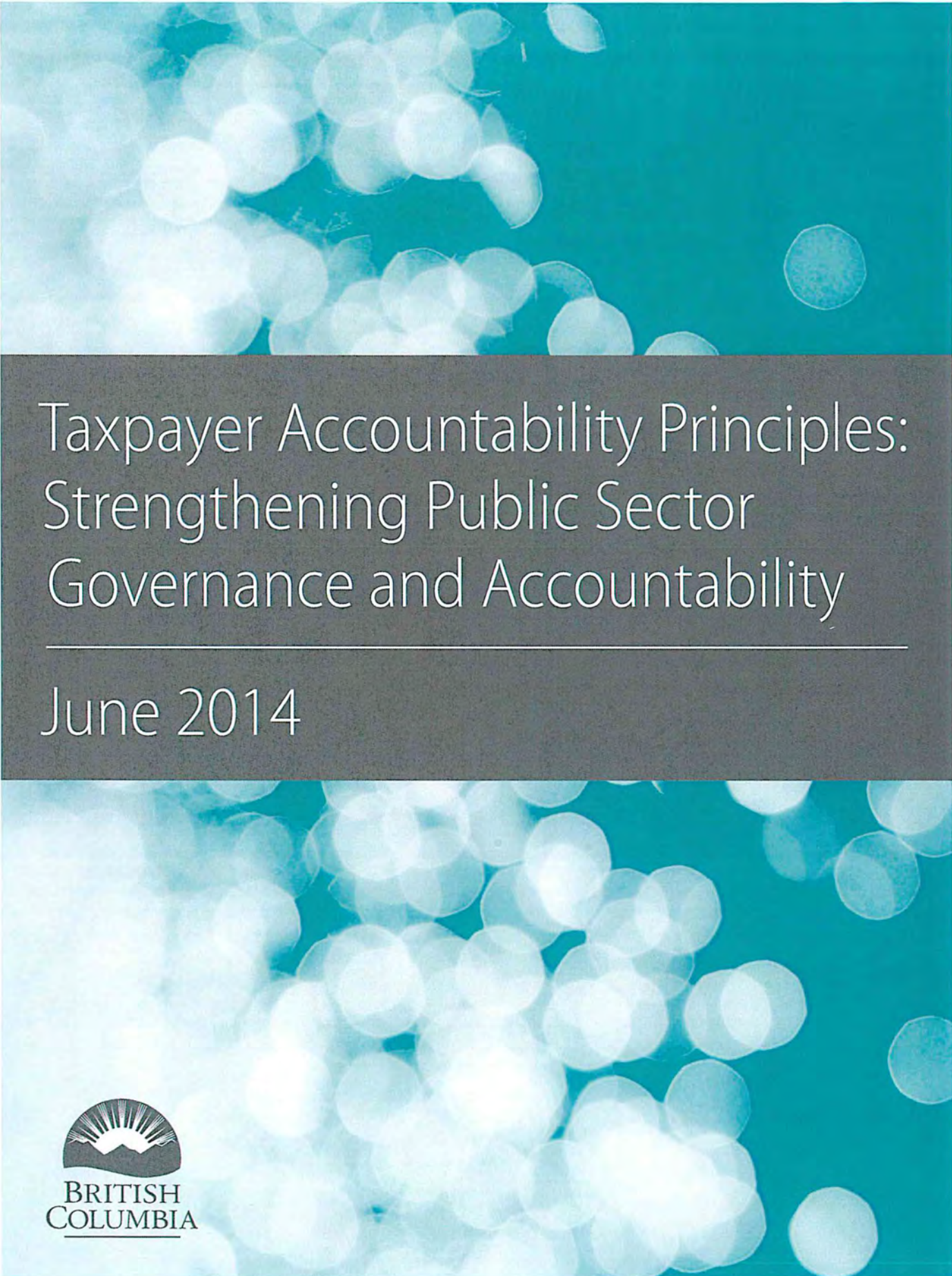
8:30 AM - 8:45 AM	Division Media scan -- Government Financial Information Security Concern	(Lianna is moderator)
9:30 AM - 10:30 AM	CIRMO 1:1 David's weekly -- Security Concern	
11:00 AM - 11:30 AM	Cheryl and Roberta - Bi-Weekly Meeting -- Security Concern	
1:30 PM - 2:30 PM	QP	

This is Exhibit "B" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1



Taxpayer Accountability Principles: Strengthening Public Sector Governance and Accountability

June 2014



Executive summary

Provincial public sector organizations in B.C. will operate under new taxpayer accountability principles that strengthen accountability, promote cost control, and ensure the corporations operate in the best interest of taxpayers. The new Taxpayer Accountability Principles will be enshrined into the operation of provincial public sector entities:

- cost consciousness
- accountability
- appropriate compensation
- service
- respect
- integrity—including a requirement to establish a strong ethical code of conduct for all employees and executives.

The Crown corporation reviews and core reviews conducted to date have identified opportunities to enhance public sector governance and increase public sector accountability to taxpayers. These principles will be built into the ongoing business of the public sector entities to ensure the decisions they make reflect the priorities and values of government and their shareholders—the citizens of B.C.

The principles recognize that public sector organizations have a higher accountability to the taxpayer—above and beyond the traditional fiduciary duty to the organization.

Key actions that will flow from the new principles include:

- New mandate letter agreed and signed by all board members.
- New accountability requirement to evaluate and report to the minister against the taxpayer accountability principles.
- New deputy minister accountability to develop a strategic engagement plan with the public sector organizations.
- Orientations about the taxpayer accountability principles and expectations for ministers, public sector boards, DMs, CEOs and public sector staff.
- Simplified mandate letters and service plans that clearly align with the taxpayer accountability principles and government's strategic mandate.

Scope and application

The taxpayer accountability principles apply to all provincial public sector organizations, including Crown corporations, health authorities and post-secondary institutions. Policy is being developed and is imminent for other public sector organizations and entities with which the provincial government has a contractual or service-delivery relationship such as BC Ferries and TransLink, even though they are and will remain outside the Government Reporting Entity.

Stronger governance in B.C.'s public sector

The Government of British Columbia is working to strengthen the economy and create more jobs to secure the future for its citizens.

This requires constant focus on maintaining a cost-conscious and principled culture, and the efficient delivery of services that stand the test of public scrutiny and help develop a prosperous economy in an environmentally sustainable manner. The foundation of this work is the government's commitment to controlling spending and balancing the budget.

In 2011, government announced it would review all Crown corporations to ensure taxpayers are protected and the interests of British Columbians are well served. These reviews have generated recommendations that are resulting in more effective governance, greater cost discipline and better alignment to government's strategic plan in the corporations subjected to the reviews. But these reviews also have broader lessons, both for other entities and government itself. These lessons, expressed as principles of public sector governance, will guide governance and operational decisions of British Columbia's public sector.

Through the implementation of taxpayer accountability principles, leadership teams in government organizations can support a change to a cost-conscious government that strengthens cost management capabilities and fosters a principled culture of efficiency and accountability at all levels.

The intention is to align government organizations' decisions and actions with the provision of government services that achieve the public policy objectives established by government on behalf of the citizens of British Columbia.

A principled framework for public sector governance

Government created policy guidelines for Crown corporations that, at the time, were considered to be leading edge in Canada. The *Budget Transparency and Accountability Act* provides the legislated accountability for service plans and annual reports in support of this framework.

Over time, the framework, guidelines and the annual Government Letters of Expectation have become routine in application, cluttered with administrative policy, and lacking in clear and measurable priorities. The original governance effectiveness has been diluted.

This lack of clear direction to guide principled decisions has led to decisions and direction by some public sector entities that appear inconsistent with the values of B.C. citizens and the priorities of government; the desired outcomes are not being delivered in a cost-conscious and principled manner. In some cases, the public has come to believe that some government entities are acting on their own behalf and represent the interests of their executive and management team, which demonstrates a lack of respect for the shareholder: the citizens and taxpayers of British Columbia. Board members and governors of public sector entities need to understand their role as representatives of the shareholder and their fiduciary duty to the citizens and taxpayers of the province.

Government organizations are not independent of scrutiny or unaccountable for the management of taxpayer dollars, particularly executive compensation and changes to public services without adequate consultation. Otherwise, public understanding and satisfaction with the government services deteriorates, affecting the overall shared trust in government.

Results of recent public sector entity reviews have revealed significant inefficiencies and a lack of understanding by the organizations with respect to the shared public trust and the shared public scrutiny between the government and the broader provincial public sector.

The reviews of BC Hydro, TransLink, ICBC and Community Living BC focused on areas where there was a lack of alignment with government's priority of cost containment and service delivery. The reviews revealed issues of significant growth in management, compensation, operating costs and challenges in meeting the need for cost-effective service delivery, in spite of the economic downturn. The reviews recommended that the boards set clear direction to institute a culture of cost consciousness and financial discipline across the organization.

There needs to be better understanding among provincial public sector entities of their role in achieving public policy, particularly with respect to providing quality service to customers (B.C. citizens) at a price that is cost-conscious. Government has taken a number of actions to address these challenges and revitalize its relationship with public sector entities:

- Implementing a new executive compensation framework for Crown corporations in July 2012, which supports a more consistent and rigorous approach to executive compensation in Crown corporations, aligned with government values.
- Establishing semi-annual Crown board chair meetings with the Minister of Finance to discuss government priorities.
- Holding formally established quarterly meetings between ministers, board chairs, deputy ministers and CEOs to discuss relevant and current corporation business, including reviewing achievement of the goals, objectives, performance measures, financial targets and risk assessments identified in the corporation's service plan.
- Furthering reviews of government organization compensation to address the need for a standardized rigorous approach that aligns with the common public sector principles and a stronger accountability framework for compensation across the public sector.
- Creating a Deputy Ministers Committee on Crown Corporations with a purpose of ensuring that the Crown corporations and other identified agencies are aligned with government priorities and that government's expectations, in its role as shareholder for the Crown corporations, are effectively and consistently communicated and acted upon.

There is still a need to establish stronger and clearer relationships across the whole public sector. This is required to promote strategic collaboration and ensure public funds are spent in a more responsible manner that meets the needs and expectations of their primary shareholder and steward of public resources: the government on behalf of the citizens of British Columbia.

New taxpayer accountability principles

This government intends to further strengthen accountability, improve the management of public funds, and revitalize the relationship between government and public sector organizations.

Increased communication with respect to government direction, accountabilities and alignment with strategic priorities will ensure:

1. Better understanding of the government's mandate, including fiscal responsibility.
2. Actions and decisions that are consistent with government's mandate and priorities.
3. A cultural shift in the broader public sector to drive a principled, cost-conscious approach to efficient public service delivery.
4. Board members act independently from the organization's executive and have the best interests of taxpayers and shareholder as their primary consideration.

The executive level of the public service has a key role in building these relationships, setting the tone and driving a cost-conscious, principled culture from the ministry to the broader provincial public sector.

All public sector organizations will adopt a common principled culture emphasizing cost consciousness and public accountability.

Taxpayer accountability principles

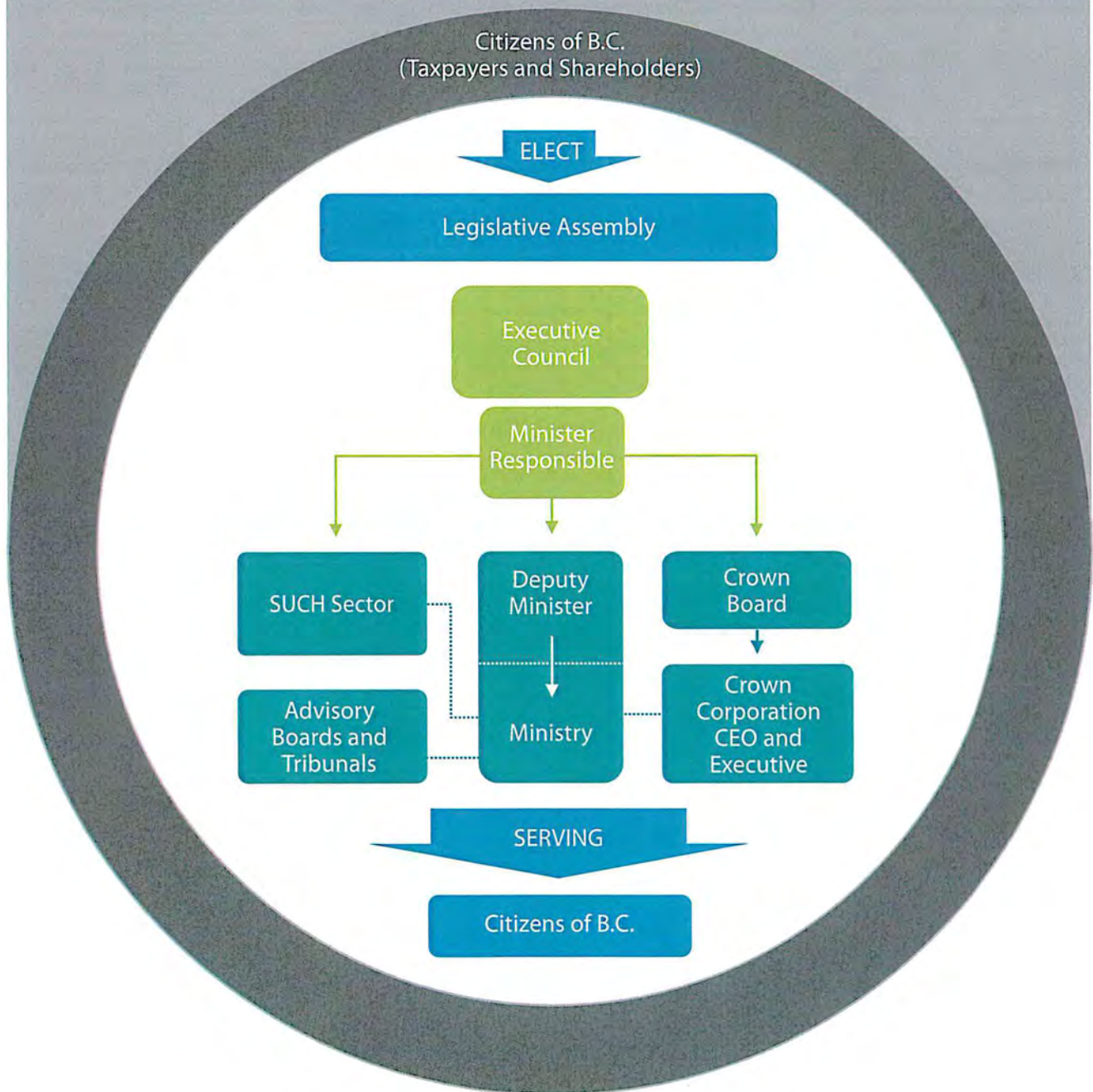
- | | |
|--|---|
| 1 Cost consciousness (Efficiency) | Strengthen cost management capabilities and foster a culture of cost-consciousness at all levels of public sector organizations. Provide public services and programs as efficiently and effectively as possible to “bend the cost curve” and support sustainable public policies and programs as a lasting legacy for generations to come. |
| 2 Accountability | Transparently manage responsibilities according to a set of common public sector principles in the best interest of the citizens of the province. By enhancing organizational efficiency and effectiveness in the planning, reporting and decision making, public sector organizations will ensure actions are aligned with government’s strategic mandate. |
| 3 Appropriate Compensation | Comply with a rigorous, standardized approach to performance management and employee compensation, which reflects appropriate compensation for work across the public sector that is consistent with government’s taxpayer accountability principles and respectful of the taxpayer. |
| 4 Service | Maintain a clear focus on positive outcomes for citizens of British Columbia by delivering cost-efficient, effective, value-for-money public services and programs. |
| 5 Respect | Engage in equitable, compassionate, respectful and effective communications that ensure all parties are properly informed or consulted on actions, decisions and public communications in a timely manner. Proactively collaborate in a spirit of partnership that respects the use of taxpayers’ monies. |
| 6 Integrity | Make decisions and take actions that are transparent, ethical and free from conflict of interest. Require the establishment of a strong ethical code of conduct for all employees and executives. Serve the citizens of British Columbia by respecting the shared public trust and acting in accordance with the taxpayer accountability principles. |

Implementing the common taxpayer accountability principles

Government will implement these common taxpayer accountability principles across the broader public sector. Taxpayers expect the agencies they fund with their tax dollars will adhere to the same standards of fiscal responsibility and transparency as the government they elect.

Action plan	Status
1 Government defines the taxpayer accountability principles that will apply to all public sector organizations. These principles, which will also require an ethical code of conduct, form the basis of an agreement between the government and public sector boards.	Complete and ready for implementation
2 The taxpayer accountability principles form the basis of an orientation about the government strategic mandate for all ministers, public sector board members, deputy ministers and CEOs. The orientation will promote understanding of the principles and will be signed by the participants. This will be an ongoing process and all new appointments will receive the strategic mandate orientation.	Principles will be enshrined in ministerial mandate letters in 2014-15
3 Government will provide guidance to public sector entities on standards of conduct, from which public sector organizations will develop comprehensive codes of conduct that will apply throughout their organization.	To be completed by November 2014
4 All public sector boards will annually receive new mandate letters from their minister responsible. All board members will sign the mandate letter and the letters will be posted publicly, enhancing their accountability to government's strategic mandate.	Transitional letters on the principles 2014-15; new mandate letters finalized for 2015-16
5 An annual Chair/CEO report letter with respect to the organization's performance concerning the mandate letter expectations to be established as a new accountability requirement.	Published with 2015-16 Annual Service Plan Reports
6 Regular meetings will be required between ministers and board chairs, and deputy ministers and CEOs that focus on performance against the taxpayer accountability principles, results and strategic decision making.	Quarterly meetings each fiscal year, starting 2014-15
7 Ministries, in collaboration with the organization, will develop an evaluation plan with specific efficiency and performance measures as determinants of the organization's health and performance, against the taxpayer accountability principles, which could include annual feedback from government.	First report to be published with 2015-16 Annual Service Plan Reports.
8 A new accountability established for deputy ministers to develop a strategic engagement plan with their public sector entities to work more effectively together and to hold the entity accountable for the outcomes and measurements identified by the minister responsible, in consultation with the respective board chair.	Accountability established for 2014-15 fiscal year
9 Public sector entities to undertake more comprehensive and appropriate communication, orientation and training regarding the accountability framework, the taxpayer accountability principles, roles and expectations for their boards and executive.	Execution expected in 2014-15
10 Institutionalize semi-annual board chair/CEO/DM meetings with members of the Executive Council.	Two meetings in 2014-15.
11 Service plans and process to be streamlined and simplified, resulting in stronger accountabilities, efficiency measures and clarified roles, to become a truly useful document that clearly and simply aligns with the taxpayer accountability principles and government's mandate, while maintaining reporting requirements of the BTAA.	To be completed in 2015-16.

Governance and Accountability in the Provincial Public Sector



6

Taxpayer Accountability Principles

EFFICIENCY | ACCOUNTABILITY | APPROPRIATE COMPENSATION | SERVICE | RESPECT | INTEGRITY

Executive
Compensation
Framework

Approved
Compensation
Plans

Annual
Disclosure

Standards of
Conduct

Organizational Code
of Conduct

Report on How Organization
is Meeting Principles

Two-way
Communication
with Government

Engagement
Plan, Regular
Meetings and
Orientation

Accountability
Mechanisms

Mandate
Letter

Budget
Transparency
and
Accountability
Act

Annual
Chair/CEO
Report on
Mandate

Service Plan
and Annual
Service Plan
Report

This is Exhibit "C" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1

Ministry of Energy, Mines and Natural Gas
Gaming Policy and Enforcement Branch (GPEB)
British Columbia Lottery Corporation (BCLC)

Transition Materials - April 30, 2013

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Transition Notes

1. Gaming in BC Overview (GPEB)
2. Separation of Responsibilities under the Gaming Control Act (GPEB)
3. GPEB Budget and FTEs (GPEB)
4. Revenue Sharing with Host Local Governments (GPEB)
5. Responsible Gambling Program (GPEB)
6. Horse Racing (GPEB)
7. Gaming Grants: Revenue to Communities and Reporting Structure between EMNG & CSCD
(GPEB)
8. Anti-Money Laundering (GPEB)
9. First Nations Involvement (GPEB)
10. BCLC Crown Corporation (BCLC)
11. BCLC Corporate Governance (BCLC)
12. Projected Gaming Revenue and Net Income to Government (BCLC)
13. BCLC Business Optimization (BCLC)
14. Gaming Facility Market Overview (BCLC)
15. Edgewater Casino (BCLC)
16. BCLC PlayNow.com (BCLC)
17. BCLC Voluntary Self-Exclusion Program and Lawsuits (BCLC)
18. Single Event Sports Betting (BCLC)



April 30, 2013

**Ministry of Energy, Mines and Natural Gas
Gaming Policy and Enforcement Branch**

ISSUE NOTE

Issue:

- Gaming in British Columbia – An Overview

Background:

- Commercial gaming in B.C. is a \$2.7-billion-a-year industry, responsible for the direct employment of over 10,000 people.
- Provincial gaming is expected to generate approximately \$1.128 billion in net income in 2012/13, with the proceeds used by the Province to benefit people and communities across B.C.
- Compared with other jurisdictions, gaming is relatively moderate in B.C., which prohibits video lottery terminals (VLTs) in bars and restaurants, and limits the number of gaming facilities.
- According to the most recent national research study¹:
 - B.C. is one of only two provinces that prohibit video lottery terminals in bars and restaurants (Ontario is the other);
 - B.C. has the third lowest gambling participation rate among Canadian provinces;
 - B.C. has the third fewest number of electronic gaming machines per capita, and the second fewest number of locations where those games can be played; and
 - Of all provinces, B.C. distributed the most government gaming revenue to non-profit community organizations.

Gaming Facilities Summary as at April 15, 2013

Gaming Facility Type	Number	Slot Machines ^A	Table Games
Traditional Casinos ^B	17	9,739	472
Casinos at Horse Race Tracks ^C	2	1,065	22
Horse Race Tracks	5	0	0
Community Gaming Centres	19	2,473	0
Commercial Bingo Halls	8	0	0
Teletheatres	23	0	0
Totals	74	13,277	494

^A Includes electronic table games.^B Includes one casino with commercial bingo gaming.^C Hastings Park and Fraser Downs are combination race tracks and casinos.

Commercial Gaming (conducted and managed by BCLC):

Casinos:

- There are 17 casinos in operation, including two at horse race tracks (up to 22 casinos permitted);
- Casinos feature gaming tables, poker tables, slot machines and electronic table games; and
- One casino (Treasure Cove Casino in Prince George) also offers bingo.

Community gaming centres and bingo halls:

- 27 bingo halls and community gaming centres (up to 41 permitted);
- 19 community gaming centres offer traditional paper based bingo and electronic bingo, in addition to a selection of other games that may include Keno, a variety of lottery products, off track horse betting and slot machines; and
- 8 commercial bingo halls offer a mix of traditional paper bingo and electronic bingo.
(Note: Included in this number is Treasure Cove Casino, which also offers bingo).

Lottery products (as at April 15, 2013):

- 3,731 retailers, including 916 in the hospitality network (bars and pubs);
- Lotto! Express, a new, convenient way to purchase lottery tickets while paying for your groceries, is in place at select grocery stores. It is offered at 100 Overwaitea Food Group locations across B.C. with 700 pin pads selling LottoMax, Extra and Lotto 6/49; and
- Lottery games include LottoMax, Lotto 6/49, BC/49, Extra, Scratch & Win, Keno, SportsAction, Poker Lotto, pull tabs and Pacific Hold'em poker.

PlayNow.com

- PlayNow.com offers national and provincial lottery games (LottoMax, Lotto 6/49, BC/49, Extra), Keno, SportsAction, eBingo, ePacific Hold'em Poker;
- PlayNow.com also offers online casino games, including blackjack, roulette and slots. BCLC also has peer-to-peer poker in which registered online players in B.C. can play with others registered with Loto Quebec and Manitoba Lotteries;
- In January 2013, BCLC partnered with Manitoba Lotteries to introduce Internet gambling in that province through the PlayNow.com platform;
- PlayNow.com has approximately 250,000 registered players (as at April 15, 2013); and
- To access PlayNow, players must register on the website. The personal information they provide is verified by a third party to confirm identity, age and residency.
- Safeguards include:
 - Spending limit: Players can set their own weekly transfer in limit, up to \$9,999;
 - Session log: Time and amount spent is visible on each web page;
 - Purchase history: Tickets purchased and amount spent for the past 52 weeks; and
 - GPEB conducts regular audits to ensure gaming is conducted in compliance with gaming legislation, directives, public interest standards, policies and procedures

Horse Racing (licensed and regulated by GPEB):

Race tracks and teletheatres:

- Up to seven horse race tracks permitted (two major tracks and three seasonal tracks currently in operation). Fraser Downs and Hastings racecourses have casinos co-located with them, featuring slot machines and table games; and
- Up to 40 teletheatres permitted (23 sites currently operating: 11 at hotels/pubs, 10 at casinos or

community gaming centres and two at horse race tracks). Teletheatres offer simulcast broadcasts of races run at local, national and international tracks.

Charitable Gaming (licensed by GPEB):

- In 2011/12, GPEB issued almost 9,900 licenses to eligible community organizations to conduct and manage gaming events (ticket raffles, independent bingos, poker, wheels of fortune and social occasion casinos); and
- As at May 2, 2012, community organizations raised an estimated \$33.4 million² in 2011/12 to support their programs and services through licensed gaming events.

Canadian Gambling Digest 2010/11 – Key Findings:

According to the Canadian Gambling Digest 2010/11, published March 31, 2012, by the Canadian Partnership for Responsible Gambling:

- Total government operated gaming revenue generated per person (19+) in B.C. in 2009/10 was \$551 (\$24 increase from 2009/10);
- This was significantly lower than Alberta (\$737), Saskatchewan (\$855) and Manitoba (\$739). The Canadian average was \$547;
- B.C. ranked third lowest in the number of electronic gaming machines (EGMs) per capita, at 307.3 machines per 100,000 adults 19+ (Ontario had the lowest at 223.5); the Canadian average was 509.7 EGMs per 100,000 adults 19+;
- B.C. has the second highest number of casinos at 17; Alberta has 24;
- Four provinces have electronic bingo games. British Columbia has the most bingo units at 5,044; the lowest number was in Ontario (752). Only B.C. had slot machines at bingo facilities;
- B.C. ranked third in number of gaming tables (486), behind Ontario (806) and Alberta (490);
- B.C. had the third fewest number of venues featuring electronic gaming machines: 33, compared to 1,936 in Quebec and 1,027 in Alberta (Ontario had the lowest at 27);
- B.C. is one of only two provinces that prohibit video lottery terminals (VLTs) in bars and restaurants (Ontario is the other); and
- B.C. (9,129) and Ontario (8,512) issued the most charitable gaming event licenses.

Decision required:

- For information only. No decision required.

² Final financials are not due from licensees until June 30, 2013.

• Appendix A – Gaming Facilities in B.C. as of April 15, 2013

CASINOS			
City	Facility	Slot Machines	Table Games
Burnaby	Grand Villa Casino	*1,000	60
Coquitlam	Boulevard Casino	*972	64
Langley	Cascades Casino	*812	31
Kamloops	Lake City Casino	*301	6
Kelowna	Lake City Casino	*450	16
Cranbrook ¹	Casino of the Rockies	*227	11
Nanaimo	Great Canadian Casinos	*407	6
New Westminster	Starlight Casino	*857	60
Penticton	Lake City Casino	*307	9
Prince George ²	Treasure Cove Casino	*540	9
Quesnel	Billy Barker Casino	*136	0
Richmond	River Rock Casino Resort	*1,110	108
Surrey ³	Fraser Downs Racetrack and Casino	*469	22
Vancouver	Edgewater Casino	*550	57
Vancouver ³	Hastings Racecourse and Casino	596	0
Vernon	Lake City Casino	*404	0
View Royal	Great Canadian Casino	*601	13
Totals	Casinos: 17	9,739	472

* Number of slot machines includes electronic table games.

¹ The host local government is the Ktunaxa Nation Council

² Casino also offers commercial bingo gaming.

³ Casinos are co-located at horse race tracks.

COMMUNITY GAMING CENTRES			
City	Facility	Slot Machines	Bingo Seats
Abbotsford	Chances Abbotsford	*186	166
Campbell River	Chances Campbell River	*125	179
Courtenay	Chances Courtenay	*153	212
Castlegar	Chances Castlegar	*100	175
Chilliwack	Chances Chilliwack	*175	288
Dawson Creek	Chances Dawson Creek	*149	222
Duncan	Chances Cowichan	*150	229
Fort St. John	Chances Fort St. John	*178	180
Kamloops	Chances Kamloops	*137	445
Kelowna	Chances Kelowna	*270	494
Langley	Playtime Gaming Langley	50	312
Maple Ridge	Chances Maple Ridge	100	450
Mission	Chances Boardwalk Mission	*125	115
Newton	Newton Community Gaming Centre	100	364
Port Alberni	Chances Rim Rock	*100	99
Prince Rupert	Chances Prince Rupert	*100	136
Squamish Nation	Chances Boardwalk Squamish	*100	270
Terrace	Chances Terrace	*75	144
Williams Lake	Chances Signal Point	*100	320
Totals	Community Gaming Centres: 19	2,473	4,800

* Number of slot machines includes electronic table games.

COMMERCIAL BINGO HALLS			
City	Facility	Slot Machines	Bingo Seats
Esquimalt	Bingo Bingo Esquimalt	0	189
Vernon	Fairweather Bingo Hall	0	350
Nanaimo	Harbour City Bingo Hall	0	420
Nanaimo	Playtime Bingo Nanaimo	0	0 (Closed Nov 1, 2012)
Surrey	Newton Bingo Country	0	Now a Gaming Centre (Nov 2012)
Penticton	Penticton Bingo Palace	0	338
Vancouver	Planet Bingo	0	426
Victoria	Playtime Bingo Victoria	0	485
Prince George	Treasure Cove Casino	0	633
Chilliwack	Chilliwack Bingo	0	Now a Chances (Nov 2012)
Totals	Commercial Bingo Halls: 8	0	2,841

HORSE RACE TRACKS (RACE DAYS 2013)					
Location	Name	Race Type	# Days	Slots and ETGs*	Tables
Princeton	Sunflower Downs	Thoroughbred	2	0	0
Surrey	Fraser Downs Racetrack	Standardbred	81	469	22
Vancouver	Hastings Racecourse	Thoroughbred	69	596	0
Vernon	Kin Park	Thoroughbred	2	0	0
Osoyoos	Desert Park	Thoroughbred	2	0	0
Totals	Horse Race Tracks: 5		156	1,065	22

*ETGs = Electronic Table Games

TELETHEATRES			
Location	Name	Location	Name
Campbell River	Elks Lodge #373	Castlegar	Chances Castlegar
Chilliwack	Best Western Rainbow Inn	Coquitlam	Boulevard Casino
Cranbrook	Casino of the Rockies	Kamloops	Chances Kamloops
Kelowna	Chances Kelowna	Maple Ridge	Maple Ridge CGC
Nanaimo	Casino Nanaimo	New Westminster	Schanks Sports Grill
Penticton	Clancy's Pub	Prince George	Treasure Cove Casino
Prince Rupert	Chances Prince Rupert	Richmond	River Rock Casino
Salmon Arm	Hideaway Pub	Sechelt	Gilligan's Pub
Squamish	Chieftain Hotel	Surrey	Derby Bar and Grill
Surrey	Fraser Downs Racetrack	Vancouver	Hastings Racecourse
Vernon	Kalamalka Hotel	Victoria	Vacation Inn Hotel
Williams Lake	Chances Signal Point		
Totals	Teletheatres: 23		

Appendix B

Gaming in British Columbia

	Casinos	Bingo Halls	Community Gaming Centres	Co-located Race Tracks & Casinos	Race Tracks	Lottery Outlets	PlayNow (Internet)	Licensed Events	Pubs & Bars
Commercial Gaming									
Bingo Games	✓	✓	✓				✓		
Lottery Products	✓	✓	✓	✓	✓	✓	✓		✓
Slot Machines	✓		✓	✓			Slots		
Table Games	✓			✓			Casino-style games		
Poker Tables	✓						Peer-to-Peer Poker		
Electronic Table Games	✓		✓	✓					
Live Horse Racing				✓	✓				
Teletheatres	✓		✓	✓	✓				✓
Licensed Charitable Gaming									
Ticket Raffles								✓	✓
Independent Bingo								✓	✓
Social Occasion Casinos								✓	✓
Wheels of Fortune								✓	✓
Poker								✓	✓



May 6, 2013

**Ministry of Energy, Mines and Natural Gas
Gaming Policy and Enforcement Branch**

ISSUE NOTE

Issue:

- Separation of responsibilities and authorities in the *Gaming Control Act*.

Background:

- To provide for integrity of gambling in British Columbia, the *Gaming Control Act* was drafted to ensure that elected officials are kept at arm's length from specific decision-making in the gambling industry.
- There are three separate roles under the Act, each with their own responsibilities and powers. The Act assigns responsibilities to the Minister, the General Manager of the Gaming Policy and Enforcement Branch (GPEB), and the British Columbia Lottery Corporation (BCLC).
- The Minister responsible for gaming has been given limited authority under the Act. The Minister provides oversight and guidance while leaving specific decision making to the lottery corporation (BCLC) and the regulation of the gaming industry, including BCLC, to GPEB.
- Government, through the Minister responsible, provides broad policy direction to ensure British Columbia's social and economic priorities for gaming are achieved.
- Except for specific approval requirements under the Act, Government is not involved in decisions respecting gaming operations. Section 27(1) of the Act specifically prohibits GPEB from conducting, managing or presenting gaming.
- Under Part III of the Act only BCLC has the authority to propose locations and relocations of gaming facilities to potential host local governments.
- The accountabilities and responsibilities for gaming in the province are structured this way to ensure that the potential for an actual or perceived conflict of interest is minimized.

Minister Responsible for Gaming

- The Minister's powers and duties are primarily set out in the following sections:
 - s.6 authorizes the Minister to issue written directives to BCLC on matters of general policy;
 - s. 7 (1) requires BCLC to receive written approval of the Minister prior to entering into agreements with other jurisdictions or supplying goods or services to other jurisdiction
 - s.7(2) requires Ministerial approval before implementing a new type of lottery scheme;
 - s.18 requires BCLC to receive a written directive in respect to development of gaming facilities;
 - s. 26 authorizes the Minister to issue written directives to GPEB on matters of general policy; and
 - s. 28(3) requires GPEB to receive Ministerial approval before issuing a directive to

- BCLC.

General Manager

- The General Manager must develop, manage and maintain the government's gaming policy. This is achieved through the regulatory oversight of the gaming industry, including BCLC, service providers and charity organizations engaged in gaming.
- GPEB is responsible for:
 - Developing and maintaining a strong and comprehensive policy and regulatory framework for gaming in the province;
 - Establishing industry-wide public interest standards and managing responsible gambling initiatives and problem gambling treatment programs;
 - Regulating the horse racing industry;
 - Conducting financial and personal background checks on all gaming services providers and gaming workers;
 - Approving and certifying all gaming equipment used in the province;
 - Conducting audits of commercial gaming, licensed gaming events and community organizations' use of gaming proceeds; and
 - Investigating all complaints and allegations of regulatory wrongdoing and assists law enforcement agencies in criminal investigations in gaming in the province.

British Columbia Lottery Corporation

- As an agent of the Crown, BCLC conducts, manages and operates all provincial gaming in the province, including commercial casinos, bingo halls, community gaming centres, lotteries, and online gambling.
- In general, BCLC is a gaming entertainment company that manages all contracts and formal relationships with gaming facility service providers, lottery retailers as well as all gaming agreements with other provinces and the federal government.
- BCLC is responsible for enhancing the financial performance, integrity, efficiency, and sustainability of the gaming industry in the province within the policy framework established by the Province of British Columbia.
- BCLC is also responsible for complying with operating and reporting requirements set out by its Board, government and any applicable laws and regulations.
- BCLC reports to an independent nine-member board of directors. This board is appointed by, and reports to, the Minister Responsible for Gaming.

Decision required: For Information Only

- For information only. No decision required.



April 30, 2013

**Ministry of Energy, Mines and Natural Gas
Gaming Policy and Enforcement Branch**

ISSUE NOTE

Issue:

- The Gaming Policy and Enforcement Branch (GPEB) Budget and FTEs

Background:

- GPEB's core operating budget for 2013/14, is set at \$19.586 million, an increase of \$1.442 million over 2012/13⁽¹⁾.
- A small balance in capital funding will be spent on upgrading GPEB's computer database in 2013/14.

GPEB Budget and Expenditures (\$ millions), and FTE Staffing			
Budget	2011/12 (actual)	2012/13 (actual)	2013/14 (budget)
Branch Core Operations	13.907	13.638	13.580
Responsible Gambling Strategy	4.453	4.506	6.006
Total Branch Operating Budget	18.360	18.144	19.586
Capital Budget	0.885	⁽³⁾ 0.687	⁽⁴⁾ 0.021
Expenditures			
Branch Core Operations	13.249	12.309	-
Responsible Gambling Strategy	5.595	5.469	-
Total Operating Expenditures	18.844	17.778	-
Capital Expenditures	⁽²⁾ 0.216	0.666	-
Variance – surplus/(deficit)			
Operating Costs	(0.484)	0.366	-
Capital Costs	0.669	.021	-
Staff			
Total Branch FTEs	156	156	156

¹ This increase is the result of a \$1.5M budget hit for the Responsible and Problem Gambling Program less \$58K, which was GPEB's portion of a ministry wide budget reduction in EMNG.

² This amount previously was calculated to be \$0.122. It has been adjusted to include write-offs and non IT assets and is now correctly stated as \$0.216.

³ The budget reflects the amount of capital funding transferred from the Ministry of Justice (JAG) to EMNG.

⁴ The remainder of the capital budget will be spent in 2013/14.



April 30, 2013

**Ministry of Energy, Mines and Natural Gas
Gaming Policy and Enforcement Branch
ISSUE NOTE**

Issue:

- Revenue Sharing with Host Local Governments

Background:

- In 2013/14, an estimated \$82.9 million in gaming revenue will be distributed to local governments that host casinos and/or community gaming centres.
- By the end of 2013/14, local governments that host gaming facilities will have received an estimated \$940.2 million in gaming funds since 1999.
- Thirty-one communities host a total of 17 casinos and 19 community gaming centres.

Host Local Government Share of Gaming Revenues (all figures in millions)						
	1999 to 2010 (actual)	2010/11 (actual)	2011/12 (actual)	2012/13 (actual)	2013/14 (estimate)	Total (1999 to 2014 – estimate)
Gaming revenues	\$607.6	\$82.3	\$83.1	\$84.4	\$82.9	\$940.2

- Since July 1999, the Province has provided a share of gaming revenue to local governments that host gaming facilities (casinos and/or community gaming centres) in their jurisdiction.
- Host local governments can use the revenue for any purpose that benefits the local community. They are required to report annually to the Province on the expenditure of these funds.
- Revenue sharing is set out in signed contracts between the Province and host local governments. Under these contracts, there are two revenue sharing models:
 - Community casino model: host local governments receive 10 per cent of the net casino gaming revenue from community casinos and/or community gaming centres within their jurisdiction.
 - Destination casino model: host local governments receive one sixth of net casino gaming revenue from destination casinos within their jurisdiction.

Decision required:

- For information only. No decision required.

Local Government Share of Provincial Casino and
Community Gaming Centre (CGC) Revenue to March 31, 2013

City	Casino or Community Gaming Centre (CGC)	Jul 1999 - Mar 31, 2011	Apr 1, 2011 - Mar 31, 2012	Apr 1, 2012 - Mar 31, 2013	Total to Date	Notes
Abbotsford	Chances Abbotsford CGC	\$1,440,681.48	\$904,774.46	\$970,854.55	\$3,316,310.49	Opened June 2009.
Burnaby	Grand Villa Casino	\$95,949,356.56	\$9,365,898.70	\$8,826,054.92	\$114,141,810.18	Previously known as Gateway Burnaby Casino.
Campbell River	Campbell River Bingo Palace	\$592,560.08	N/A	N/A	\$592,560.08	Closed June 2007.
Campbell River	Campbell River Chances CGC	\$2,426,314.72	\$687,490.52	\$684,344.98	\$3,798,150.22	Opened July 2007.
Castlegar	Chances Castlegar CGC	N/A	\$283,428.21	\$452,049.43	\$735,477.64	Opened July 2011.
Chilliwack	Chances Chilliwack	N/A	N/A	\$496,261.98	\$496,261.98	Opened November 2012
Coquitlam	Boulevard Casino	\$74,063,981.09	\$7,501,627.05	\$7,386,268.49	\$88,951,876.63	Previously known as Coquitlam Casino.
Courtenay	Chances Courtenay CGC	\$2,060,918.31	\$802,261.21	\$835,116.96	\$3,698,296.50	
Cowichan	Chances Cowichan CGC	\$2,778,356.08	\$784,409.54	\$734,271.49	\$4,297,037.11	Opened March 2007.
Cranbrook	Casino of the Rockies	\$11,572,000.45	\$1,365,120.22	\$1,178,631	\$14,215,760.67	Ktunaxa First Nation receives a share of casino revenue from this destination casino.
Dawson Creek	Chances Dawson Creek CGC	\$4,038,735.04	\$839,806.18	\$831,191.65	\$5,709,733.07	Previously known as Bear Mountain CGC.
Fort St. John	Chances Fort St. John CGC	\$2,756,429.99	\$969,606.21	\$947,306.89	\$4,673,343.09	Opened September 2007.
Kamloops	Chances Kamloops CGC	\$1,938,185.32	\$541,918.71	\$659,250.98	\$3,139,355.01	Previously known as Enterprise CGC.
Kamloops	Lake City Casino	\$21,841,132.11	\$1,922,004.19	\$1,818,739.40	\$25,581,925.70	
Kelowna	Chances Kelowna CGC	\$5,965,421.39	\$1,584,603.05	\$1,732,798.72	\$9,302,823.16	
Kelowna	Lake City Casino	\$27,502,801.21	\$2,036,332.36	\$1,976,902.03	\$31,516,035.60	
Langley	Cascades Casino	\$39,041,634.62	\$5,875,236.04	\$5,793,005.43	\$50,710,076.09	Previously known as Langley Casino.
Langley	Playtime Gaming CGC	\$274,107.35	\$132,254.42	\$129,598.17	\$535,959.94	Opened October 2008.
Maple Ridge	Maple Ridge CGC	\$317,106.55	\$786,696.43	\$620,220.24	\$1,724,023.22	Opened October 2010.
Mission	Chances Boardwalk CGC	\$1,954,008.71	\$645,946.03	\$625,471.02	\$3,225,425.76	Opened August 2007.
Nanaimo	Nanaimo Casino	\$32,213,250.30	\$2,350,384.15	\$2,431,137.39	\$36,994,771.84	

City	Casino or Community Gaming Centre (CGC)	Jul 1999 - Mar 31, 2011	Apr 1, 2011 - Mar 31, 2012	Apr 1, 2012 - Mar 31, 2013	Total to Date	Notes
New Westminster	Royal City Star (Riverboat)	\$31,288,316.65	N/A	N/A	\$31,288,316.65	Closed December 2007.
New Westminster	Royal Towers Casino	\$11,956,075.00	N/A	N/A	\$11,956,075.00	Closed November 2005.
New Westminster	Starlight Casino	\$20,417,827.99	\$5,780,230.25	\$5,701,451.96	\$31,899,510.21	
Penticton	Lake City Casinos Ltd.	\$21,033,456.88	\$1,682,935.49	\$1,594,349.90	\$24,310,742.07	
Port Alberni	Chances Rm Rock	\$1,473,742.72	\$449,781.00	\$426,859.32	\$2,350,383.04	Opened September 2007.
Prince George	Chances Good Time Prince George CGC	\$254,384.44	N/A	N/A	\$254,384.44	Closed June 2009
Prince George	Treasure Cove Casino	\$24,552,103.33	\$2,627,255.33	\$2,622,414.80	\$29,801,783.46	Previously known as Casino Hollywood (changed name September 2004).
Prince Rupert	Chances Prince Rupert CGC	\$1,474,517.61	\$403,647.26	\$424,801.14	\$2,302,966.01	
Quesnel	Billy Barker Casino	\$7,018,521.33	\$519,955.58	\$500,408.71	\$8,038,885.62	
Richmond	River Rock Casino	\$93,283,634.06	\$14,803,715.52	\$15,701,188.46	\$123,788,738.04	Previously known as Richmond Casino (changed June 2004).
Squamish	Chances Boardwalk Squamish	\$289,557.11	\$239,631.03	\$237,150.13	\$757,318.27	Opened February 2010
Surrey	Fraser Downs	\$21,851,497.83	\$2,877,900.08	\$2,997,760.46	\$27,727,158.37	
Surrey	Newton Casino	\$2,042,541.00	N/A	N/A	\$2,042,541.00	Closed.
Surrey	Newton CGC	N/A	N/A	\$187,725.50	\$187,725.50	Opened November 2012
Terrace	Chances Terrace	\$973,247.55	\$560,756.06	\$625,577.44	\$2,159,581.85	Opened January 2009.
Vancouver	Edgewater	\$33,234,529.38	\$5,821,565.25	\$6,084,757.33	\$45,140,851.96	
Vancouver	Grand Casino	\$5,199,559.00	N/A	N/A	\$5,199,559.00	Closed.
Vancouver	Hastings	\$3,854,221.11	\$1,270,554.09	\$1,214,556.60	\$6,339,341.80	
Vancouver	Holiday Inn Casino	\$10,530,664.79	N/A	N/A	\$10,530,664.79	Closed
Vancouver	Mandarin Centre	\$4,590,768.00	N/A	N/A	\$4,590,768.00	Closed.
Vancouver	Renaissance Casino	\$2,363,885.00	N/A	N/A	\$2,363,885.00	Closed.
Vancouver	Royal Diamond Casino	\$1,286,517.00	N/A	N/A	\$1,286,517.00	Closed.
Vernon	Lake City Casino	\$18,353,461.36	\$1,947,770.07	\$2,000,788.15	\$22,302,019.58	
Victoria	Mayfair Casino	\$930,336.00	N/A	N/A	\$930,336.00	Closed December 2001.
View Royal	View Royal Casino	\$39,537,961.62	\$4,196,788.12	\$4,142,775.53	\$47,877,525.27	
Wells	Jack o' Clubs Gaming Hall	\$72,462.00	N/A	N/A	\$72,462.00	Seasonal. Closed September 2005.
Williams Lake	Signal Point CGC	\$3,265,070.81	\$579,704.96	\$579,211.79	\$4,423,987.56	
Grand Total		\$689,976,729.73	\$83,133,003.58	\$84,371,314.16	\$857,481,047.47	



April 30, 2013

**Ministry of Energy, Mines and Natural Gas
Gaming Policy and Enforcement Branch**

ISSUE NOTE

Issue:

- Revenue Sharing with Host Local Governments

Background:

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Decision required:

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Surrey	Newton CGC	N/A	N/A	\$187,726.50	\$187,726.50	Opened November 2012
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Vancouver	Holiday Inn Casino	\$10,530,664.79	N/A	N/A	\$10,530,664.79	Closed.
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Vancouver	Renaissance Casino	\$2,363,885.00	N/A	N/A	\$2,363,885.00	Closed.
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Williams Lake	Signal Point CGC	\$3,265,070.81	\$579,704.96	\$579,211.79	\$4,423,987.56	
Grand Total		\$689,976,729.73	\$83,133,003.58	\$84,371,314.16	\$857,481,047.47	



April 30, 2013

**Ministry of Energy, Mines and Natural Gas
Gaming Policy and Enforcement Branch**

ISSUE NOTE

Issue:

- Responsible Gambling Programs

Background:

- Government has publicly committed that counselling services for gambling will be available to everyone who needs them, without waitlists.
- The government of B.C. and BCLC are committed to ensuring that gaming in B.C. is conducted with integrity and that gaming events and products are offered in a socially responsible manner.

Gaming Policy and Enforcement Branch (GPEB) – Responsible and Problem Gambling Program

- The Province's Responsible Gambling Strategy promotes responsible practices for those who choose to gamble and also provides assistance for those affected by problem gambling.
- The strategy's three goals and supporting objectives are:
 - Goal 1 – Create public awareness of risks associated with gambling
 - Goal 2 – Deliver gambling in a way that encourages responsible gambling and informed choice
 - Goal 3 – Provide treatment and support to those affected by problem gambling
- The Responsible Gambling Strategy offers the following initiatives:
 - Advertising and Responsible Gambling Standards for the B.C. gaming industry.
 - A network of GameSense Advisors provides responsible gambling information and services to patrons at all casinos and some community gaming centres across B.C.
 - Standardized responsible and problem gambling awareness resources and programs have been developed to educate all ages from elementary school children to seniors.
 - The Gam_jQ, an iPad based education program designed specifically for college and university students. In 2012, a second version of this program was made available to high schools throughout the province.
 - A network of clinical counsellors located throughout the province offer support services for individuals, couples, families and groups.
 - Telephone and outreach services help to serve people in remote communities.

- To improve accessibility, an intensive out patient treatment program (Discovery Program), has been expanded to two locations (the Lower Mainland and Vancouver Island).
- Culturally relevant resources, programming and treatment continue to be developed and delivered with the assistance of specialized service providers.
- A newly updated B.C. Responsible and Problem Gambling Program website, which is a key resource for British Columbians seeking information about the program and its services, was launched in the spring of 2012.
- GPEB's budget for the RPG program for 2013/14 is \$6.0 million

BCLC's Responsible Gambling Program

- GameSense is BCLC's responsible gambling program, designed to give players the information they need to play responsibly and connect them to available resources if they feel they need help with their gambling.
- GameSense includes a number of initiatives to promote responsible gambling:
 - Staffed GameSense Information Centres in all casinos and self serve kiosks in community gaming centres.
 - Information on the odds of winning on all types of games is available in several languages and is widely available at casinos and on the GameSense website: www.gamesense.ca.
 - Appropriate Response Training for all gaming staff, which prepares BCLC staff and service providers' employees to assist players.
 - A Voluntary Self Exclusion (VSE) program in casinos, community gaming centres and bingo halls, as well as PlayNow.com.
 - Automatically excluding people from PlayNow.com if they have self excluded from facility-based gambling.
 - Technology innovations to support the VSE program (e.g., licence plate recognition, linking ID scanners to the VSE database).
- BCLC is investing \$3.6 million in its responsible gambling program for 2013/14.
- BCLC is working to implement pre commitment options for slot machine players as part of its investment in new Gaming Management System. This will allow players to set limits on both time and money spent playing.
- In early 2013 BCLC and GPEB partnered with five communities across the Province to host Responsible Gambling Awareness Month. The marquee event was a major annual international conference dedicated to responsible gambling.

The Centre for Gambling Research at UBC

- Government and BCLC have committed \$2 million over five years to support the establishment of the Centre for Gambling Research at the University of British Columbia (UBC). UBC will receive \$1 million in the first year and \$250,000 in each of the subsequent years. This funding is from forfeited prize winnings under the VSE program (VSE individuals are ineligible for jackpot prizes).

- The centre will conduct research on the social and behavioral aspects of gambling to help inform and advance responsible and problem gambling prevention policy and programming in B.C., as well as in other regions of Canada and internationally.
- UBC will use the funding to cover operational expenses for the centre, infrastructure and research centre staff.

Decision required: For Information Only

- UBC is in the process of hiring a director to lead the Centre. The new centre is expected to be operational in fall, 2013.
- BCLC is in the process of launching a follow-up four-year longitudinal study of the VSI program.
- BCLC has submitted an application to renew its Level 4 accreditation from the World Lottery Association (WLA), which recognizes excellence in responsible gambling programming. Results are expected in late July/early August, 2014. BCLC first achieved accreditation in 2010.



April 30, 2013

**Ministry of Energy, Mines and Natural Gas
Gaming Policy and Enforcement Branch**

ISSUE NOTE

Issue:

- Horse Racing

Background:

General

- British Columbia's horse racing industry contributes \$350 million¹ to the province's economy and provides more than 7,400 people with approximately 3,600 full time equivalent jobs.
- Horse racing in B.C. is regulated under the Gaming Control Act by the Gaming Policy and Enforcement Branch (GPEB). As part of its activities, GPEB develops fair and appropriate rules and policies to help ensure the horse racing industry is conducted and managed fairly and with integrity.
- Those who work in or provide services to the horse racing industry must be registered with and licensed by GPEB to ensure they meet high standards of honesty, integrity, and financial responsibility.
- There are two commercial horse race tracks (Hastings Racecourse, in Vancouver, and Fraser Downs Racetrack, in Surrey) and three community event tracks (in Vernon, Princeton and Osoyoos).
 - All are thoroughbred tracks except Fraser Downs, which is standardbred.
 - The two commercial tracks have casinos co-located in them – Fraser Downs features slot machines and table games, and Hastings features slot machines only.
- Twenty three teletheatres in B.C. present simulcast satellite broadcasts of horse races run at local, national, and international tracks. Teletheatre BC operates 21 teletheatres, and the Great Canadian Gaming Corporation operates the teletheatre at each of Fraser Downs and Hastings.
- In recent years wagering at race tracks and teletheatres in British Columbia has ranged from \$160 million to \$180 million annually.
- The B.C. industry is heavily dependent on simulcast revenues. Income from simulcast wagering accounts for more than 92 per cent of the money used to support horse racing in the province; only eight per cent is the result of live racing.

¹ Dollar amount estimated in 2008, the most recent estimate available.

Industry Revitalization

- In response to declining horse racing revenues over the last decade, industry organizations requested that the Province take steps to help stabilize and revitalize racing in B.C.
- The Province created the B.C. Horse Racing Industry Management Committee in November 2009. The committee, which includes leading horse racing industry and business experts, is mandated to provide strategic direction, decision making and business leadership to guide the industry in its effort to become financially stable and sustainable.
- Since the Committee began its formal involvement in January 2010, it has implemented a number of changes that have strengthened horse racing in B.C. It has also gained a clearer understanding of the challenges facing the industry, and identified next steps for the continued development of effective business practices. Notably, the introduction of a marketing fund in 2011 has resulted in increased attendance and wagering at live racing events.
- The committee has focused on creating a sustainable and transparent business model that benefits the entire industry. The main areas targeted for improvement have been governance, cost efficiencies in operations, new revenue initiatives and improving player interest and participation in B.C. horse racing and wagering. To help drive its activities and decisions, the Committee consults associations, owners, trainers, bettors, track employees, the track operator and other interested stakeholders throughout the province.
- All-sources wagering on live racing at the two Lower Mainland racetracks showed significant increases in 2012 (up 7.6 per cent over 2011). Overall revenue trends continue to decline, and government support is still needed to stabilize the industry and build on progress made to date.
- Going forward, the Province's financial support is estimated at \$10 million (related to net revenues from casinos co located at Hastings and Fraser Downs).
- The Horse Racing Industry Management Committee is preparing a report on the best case for making horse racing sustainable in British Columbia. A consultation draft of the report was released to industry stakeholders on April 12, 2013. The Committee is scheduled to release its final report following the consultations, in summer 2013.

Decision required:

- For information only. No decision required.

**Ministry of Energy, Mines and Natural Gas
Gaming Policy and Enforcement Branch**

ISSUE NOTE

Issue:

- Gaming Grants: Revenue to Communities.
- Administration of the Gaming Grant Program by the Ministry of Energy, Mines and Natural Gas (EMNG) and the Ministry of Community, Sport and Cultural Development (CSCD).

Background:

- In 2012/13, the Gaming Policy and Enforcement Branch (GPEB) distributed \$135 million to approximately 5,300 non-profit organizations. Funds were distributed to organizations within the following six sectors: human and social services, public safety, art and culture, sport, environment, and Parent Advisory Councils (PACs) and District Parent Advisory Councils (DPACs).
- Decisions regarding eligibility and grant approval are the responsibility of CSCD and have been since April 2011. CSCD receives the budget allocation for the grants. (Previously these functions – and the administration of the program – were the responsibility of GPEB.) GPEB continues to be responsible for the administration of the program, including financial oversight, audit, IT services, and corporate support. Grants staff and administration remain with GPEB.
- Amendments to the Gaming Control Act and regulation were introduced in April 2012 to enact this shared responsibility. The amendments, including one that stipulates that the community gaming grant program reports to two Assistant Deputy Ministers (ADMs), were included in the 2012/13 budget bill. EMNG has legislated authority to distribute the grants based on a set of criteria. Existing legislation does not prohibit the criteria from being established outside the ministry. CSCD and EMNG cooperate throughout the grant eligibility process.
- A public review (announced in July 2011 by Premier Christy Clark and conducted by independent advisor Skip Triplett) of the community gaming grant program examined the role of government in allocating gaming revenue to B.C. communities. Input was sought and received from charities, community members, industry representatives and local government. Mr. Triplett provided a final report, including recommendations, to government on Oct. 31, 2011.
- On January 11, 2012, Premier Christy Clark announced that the Province had increased gaming grants by \$15 million to a total of \$135 million, beginning in the 2011/12 fiscal year. At the same time, funding was reinstated for eligible adult arts and sports organizations, environmental groups and animal welfare agencies.
- GPEB is a vital link in the administration of the community gaming grant program. Delivery of the grants takes place in many stages, from the adjudication and processing of applications to the deposit of funds by computer. The funds themselves are routed from BCLC via a customized

computerized journal voucher system. The entire process is labour intensive and requires the particular expertise of various staff teams. More specifically:

- GPEB provides the grant program's application, payment and reporting functions;
- The gaming grant program is integrated into GPEB's computer database system, Gaming Online Services (GOS);
- CSCD's \$135 million funding allotment flows from the BC Lottery Corporation's revenues to GPEB's Finance Division, which distributes the grants to community organizations through GOS;
- GPEB's Finance Division was recognized as being specially equipped to distribute \$618K in gaming funds for multiculturalism grants on behalf of the Minister of State;
- GPEB created and maintains the gaming grants web pages;
- GPEB's Audit Division audits grants administered by GPEB, and, understanding the program as it does, is uniquely positioned to do so; and
- GPEB's Investigations Division deals with criminal activity affecting the grants program, and similarly, is uniquely placed to do so.

Decision required:

- For information only. No decision required.



April 30, 2013

**Ministry of Energy, Mines and Natural Gas
Gaming Policy and Enforcement Branch**

ISSUE NOTE

Issue:

- Anti-Money Laundering

Background:

- The Ministry remains committed to managing gaming activities to protect the public interest and ensure public safety. It is working with the gaming industry to prevent criminal attempts to legitimize illegal proceeds of crime in gaming facilities in the province.
- BCLC has a comprehensive anti-money laundering program in place and is committed to continuous improvement and cooperation with GPEB and other stakeholders.
- All organizations that manage large volumes of money, including banks, could be targeted by criminals. All gaming industry stakeholders including BCLC, service providers and GPEB remain vigilant to these attempts and, in co-operation with the RCMP and local police, continue to report and deter these activities.
- Facility based gaming generated \$1.6 billion in gross revenue (net win) in FY 12/13. It remains primarily a cash based business in B.C.; however, GPEB and BCLC have taken significant measures to reduce this reliance on cash.
- In 2011, the Province commissioned a review to examine current anti money laundering practices in B.C. gaming facilities. The review intended to determine what anti money laundering policies, practices and strategies are in place at B.C.'s gaming facilities and identified opportunities to strengthen the existing anti-money laundering regime.
- The review found that BCLC and its operators, with oversight and guidance from GPEB, employ standard and appropriate anti-money laundering strategies. Notwithstanding these measures, the review made recommendations to both BCLC and GPEB for opportunities to further strengthen anti-money laundering efforts.
- Both GPEB and BCLC, in cooperation with gaming service providers, have developed and implemented new measures that address the recommendations of the report, with a focus on moving the industry away from a reliance on cash.
- Examples of initiatives include:
 - Greater convenience in setting up Patron Gaming Fund (PGF) Accounts for players
 - Expanded buy-in options (such as use of a debit card) to provide alternatives to cash buy-ins
 - Revised policies and procedures for issuance of casino cheques

- A number of policy changes have been made, such as providing more common electronic deposit options and allowing players to transfer verified wins or the amount of their original buy-in back to into their bank account. Cash-free buy-in options are now available for large value transactions, which provide an added convenience for players while aligning with anti-money laundering best practices.
- These changes help to encourage the use of cash free alternatives for large value transactions while deterring criminal activities and enhancing player security.
- The Ministry's 2013/14 - 2015/16 Service Plan has a performance measure intended to further shift the industry from cash transactions to electronic methods for funds access within casinos.
- In the upcoming year, BCLC will be analysing the factors that contribute to high currency levels at certain gaming facilities and will be exploring opportunities to incent players to use alternatives to cash.
- There is ongoing dialogue with the police of jurisdiction and the Provincial and Federal RCMP in order to ensure those agencies better understand the gaming business, where the risks lie as well as keeping them abreast of plans to deter and detect any criminal conduct associated to gaming in the province.

FINTRAC penalty:

- On June 15, 2010, BCLC received a notice of violation from FINTRAC, advising \$695,750 in Administrative Monetary Penalties (AMPs) would be levied against the corporation for 1,185 violations of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. The administrative penalty included violations related to delays in filing reports and clerical errors.
- On October 29, 2010, BCLC filed an appeal of the penalty levied by FINTRAC in the Toronto registry of the Federal Court on a number of grounds.
- In September 2011, the Department of Justice, acting on behalf of FINTRAC, provided BCLC with a disclosure package and determined that 152 of the alleged violations were not violations and reduced the administrative monetary penalty by \$76,060.
- No date has been set for the hearing.

Decision required: For Information Only

- For information only. No decision required.



April 30, 2013

**Ministry of Energy, Mines and Natural Gas
Gaming Policy and Enforcement Branch**

ISSUE NOTE

Issue:

- First Nations and Gaming in British Columbia

Background:

- Sharing gaming revenue is a key issue for First Nations. Various First Nations leaders have written to the Premier with their concerns, specifically:
 - First Nations desire for the Province to share gaming revenue directly with them;
 - Province's duty to consult with First Nations where gaming facilities are re-located on land that may infringe upon Aboriginal title and rights; and
 - Authority for gaming on First Nations lands.

First Nations Revenue

- Host local governments (HLG) receive 10 percent of the net revenues from the casino or gaming community centre they host. Four First Nations host gaming facilities on their land:
 1. Ktunaxa Nation – Casino of the Rockies (Granbrook) is owned and operated by SEM Resort Limited Partnership, comprised of the Ktunaxa Nation, the Samson Cree First Nation and the Mijikaning First Nation. In fiscal 2011/12, they received \$1.3 million in HLG payments.
 2. Cowichan Tribes – Chances Cowichan community gaming centre (Duncan). In fiscal 2011/12, they received \$780k in HLG payments.
 3. Squamish Nation – Chances Squamish community gaming centre (Squamish). In fiscal 2011/12, they received \$230K in HLG payments.
 4. In addition, BCLC plans to relocate Vernon's Fairweather Bingo Hall to a site on Adams Lake Indian Band (ALIB) land near Salmon Arm and redevelop it into a community gaming centre. BCLC's marketplace assessment indicates there is demand for a community gaming centre in this area. The ALIB is currently holding community consultations with band members, as required by the Gaming Control Act.
- Unlike Alberta, Saskatchewan, Manitoba, Ontario and New Brunswick, BC does not directly share gaming revenues with First Nations.
- The provincial government does share revenue directly with First Nations, from resource developments on Crown land such as mining, forestry and oil and gas.

Province's Duty to Consult

- The *Gaming Control Act* (GCA) requires that BCLC must be satisfied that the HLG has consulted with each potentially affected local government, including First Nations. The GCA limits consultation with First Nations to advising them of the gaming proposal, and seeking their comments solely in relation to infrastructure or policing costs and traffic and highway use.
- In a 2005 case involving the development of the River Rock Casino in Richmond, BC on Crown lands, the Supreme Court of British Columbia found that because BCLC is an agent of the Crown, the Province had a duty to consult which was triggered when it contemplated moving and expanding its casino to Crown lands which it knew were subject to the Musqueam claims. The courts ruled in favour of the Musqueam Indian Band for failure to consult on the River Rock Casino relocation. The Province provided financial compensation to the Musqueam Indian Band.

Gaming on First Nations Lands

- Some First Nations have made inquiries about establishing casinos on First Nations lands. Citing "existing aboriginal and treaty rights," affirmed by section 35(1) of the *Constitution Act*, 1982, many First Nations assert that BC does not have exclusive jurisdiction over gaming activities in the province.
- Under the *Criminal Code of Canada*, the Province is delegated to conduct and manage all gaming, both on and off First Nations reserve lands.
- In B.C., the *Gaming Control Act* (GCA) provides the legislative framework for gaming in the province, and the provincial government has sole jurisdiction for gaming and regulation of gaming in B.C. The Province delegates BCLC to conduct, manage and operate commercial gaming, with the exception of horse racing.
- All municipal governments have the same opportunity to participate in gaming based on BCLC's marketplace assessments.
- In November 2012, Grand Chief Joe Hall, as Chair of the Executive Steering Committee for the British Columbia First Nations Gaming Initiative, wrote Premier Clark advising of his unsuccessful and repeated attempts to engage government in a discussion regarding gaming revenue sharing. He described the group's intentions to set up a First Nations Gaming Commission to regulate First Nations gaming operations in BC. Independent First Nations gaming may take the form of an independently operated First Nation casino on reserve land, challenging the authority of BCLC's jurisdiction or a First Nation-owned gambling website such as operated by the White Bear First Nation in Saskatchewan (2012) and the Kahnawake of the Mohawk First Nation in Quebec (1998).

Decision Required: For Information Only

- The British Columbia First Nations Gaming Initiative may publicly point out their position that gaming revenue is not shared with First Nations and the Province has not historically fulfilled their duty to consult where gaming facilities have been re-located.



April 30, 2013

Ministry of Energy, Mines and Natural Gas
British Columbia Lottery Corporation

CROWN CORPORATION NOTE

Name:

- British Columbia Lottery Corporation (BCLC)

Mandate:

BCLC is a Crown Corporation with the authority and responsibility provided by the Province of British Columbia to, on its behalf, conduct, manage and operate lottery, casino, bingo and e-gaming in BC under the *Criminal Code of Canada* and the *Gaming Control Act of BC* (2002).

The Minister of Energy, Mines and Natural Gas is responsible for gaming; providing direction to BCLC on behalf of Government through a Board of Directors appointed by Government. BCLC operates its commercial gaming business in accordance with the legislative, regulatory and policy framework established by Government and is regulated by the Gaming Policy and Enforcement Branch (GPEB). GPEB is responsible for standards, registration, licensing, audit and compliance and enforcement, as well as BC's responsible gambling policy and strategy. BCLC complies with written directives from the Minister and the Assistant Deputy Minister/General Manager of GPEB.

BCLC's products are sold through contracted private-sector retailers and service providers. It has approximately 3,800 lottery locations, 17 casinos, 19 community gaming centres and 7 commercial bingo halls. Lottery, eCasino, ePoker and eBingo products are sold through the PlayNow.com e-gaming site directly to over 240,000 registered players in BC. BCLC also contracts with Manitoba Liquor and Gaming to provide PlayNow.com in Manitoba.

Lottery retailers earn an industry-standard commission rate. Eighteen private sector service providers at casino, community gaming and bingo facilities earn a percentage of sales revenue for providing gaming facilities and day-to-day operational services. BCLC owns all gaming equipment, including lottery and bingo terminals and slot machines.

The consolidated financial statements of BCLC include a wholly owned subsidiary, BC Lottotech International Inc., which has as its sole business the purchase of capital assets for BCLC. The financial statements, management and oversight of Lottotech is consolidated within BCLC operations. BCLC remits its entire net income to Government after minor distributions to the federal government.

The approvals are in place to set up a subsidiary for eGaming, however the legal structure is not yet set up.

BCLC has employees who work from offices in Kamloops and Vancouver, as well as field staff who work in gaming facilities and with lottery retailers and service providers in communities throughout the province. The Kamloops office is the primary location of information technology, finance and administration functions. Gaming operations, security, marketing and communications functions are primarily located in Vancouver. BCLC integrates responsible gaming and player security into the design and development of new games and services, markets and advertises games, manages the technology necessary to run the gaming business, and oversees contracted retailer and service provider operations to ensure gaming integrity, security, compliance and performance.

Financial Information (high level):

(\$ millions)	2013/14 Current Forecast	2014/15 Current Forecast	2015/16 Current Forecast
Revenues			
Lottery	1,025	1,045	1,065
eGaming	100	114	126
Casino & Community Gaming	1,678	1,710	1,749
Total Revenues	2,803	2,869	2,940
Minus Prizes	645	657	665
Net Revenues	2,158	2,212	2,275
Expenses			
Lottery	170	173	177
eGaming	42	44	47
Casino & Community Gaming	774	793	814
Total Expenses	986	1,010	1,038
Net Income			
Lottery	277	283	289
eGaming	42	52	60
Casino & Community Gaming	853	867	888
Total Net Income	1,172	1,202	1,237
Capital Expenditures	120	110	110
Debt	173	202	225
Dividends	1,162	1,192	1,227

Issues:

60 Day

- Paragon Gaming and PavCo have negotiated a Master Development Agreement for the relocation of Edgewater Casino to BC Place lands as approved by the City of Vancouver in April 2011. It is anticipated that negotiations will extend over the next 30 to 90 days. In the next 60 days, Edgewater Casino will re-negotiate its lease with the City of Vancouver.

90 Day

- BCLC has a proposal to relocate Vernon's Fairweather Bingo Hall to a site on Adams Lake Indian Band land near Salmon Arm and redevelop it into a community gaming centre (CGC). BCLC's marketplace assessment indicates there is demand for a community gaming centre in this area. Over the next 90 days, the Host Local Government, the Adams Lake Indian Band, will continue consulting with band members and neighbouring governments, as required by the Gaming Control Act.
- The Senate is currently discussing Bill C-290, a bill proposing amendments to the *Criminal Code* to allow for single event sports betting. There is no definitive timing for any decision on this bill, but it continues to be discussed in the senate. If the bill passes, BCLC would begin offering single event betting options.

Appointment Status:

The BCLC Board of Directors is at its full complement of nine members.



April 30, 2013

**Ministry of Energy, Mines and Natural Gas
British Columbia Lottery Corporation**

ISSUE NOTE

Issue:

- BCLC Corporate Governance

Background:

- Corporate governance refers to clearly defined processes with respect to the selection and composition of the Board and Senior Management and the division of responsibilities, decision making and accountability among the Board, Senior Management and our Shareholder to ensure BCLC's short- and long-term success is consistent with our mandate and mission.

- **Governance Framework**

As a Crown agent, BCLC complies with Government disclosure requirements for public accountability and transparency detailed in Best Practices Guidelines—BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations and the Board Resourcing and Development Office's Section 3. More at www.bclc.com/cm/aboutbclc/corporategovernance.htm

- The scope of our formal governance framework includes our:
 - Corporate mandate, vision and mission;
 - Principles and guidelines for our Board of Directors, Chairman, Standing Committees, President and Chief Executive Officer;
 - Processes for strategic and succession planning;
 - Procedures for Board performance evaluations; and
 - Government's Letter of Expectations outlining our commitment to deliver on performance expectations for the benefit of B.C.

- **Board of Directors**

Per the Gaming Control Act and appointed by the Lieutenant-Governor in Council, the BCLC Board comprises nine non-management members selected for expertise. Currently, there are seven men and two women on BCLC's Board. While BCLC's senior management attend all Board meetings, autonomy is maintained by in-camera sessions at the end of meetings. Employees are able to provide recommendations or direction to the BCLC Board by communication through BCLC's Executive.

Employees should not direct the Board
The Board provides stewardship and ethical leadership for long-term success for the shareholder—the Government of B.C.—and ensures our governance framework aligns BCLC business practices with Crown principles.

- **Overall Board duties are:**
 - Oversight of BCLC management responsible for day-to-day operations;
 - Assisting management with business and service plans, priorities and capital and operational budgets;
 - Policy guidance for human resources, compensation, stakeholder communications and risk management;
 - Risk resolution strategies; and
 - Evaluating annual financial results and performance versus objectives.

- **Board Members**

Chairman:

John McLernon, Vancouver: Presiding Director of leadership and performance, and liaison between the Board and the Minister responsible for BCLC.

Vice Chair:

Arthur Willms, Vancouver

Directors:

- Trudi Brown, Victoria
- David W. Gillespie, Kamloops
- Cindy Grauer, Vancouver
- Moray Keith, Delta
- D. Neil McDonnell, North Vancouver
- Michael Riley, Surrey
- Bud Smirh, Kamloops

Per the Code of Conduct and Conflict of Interest Guidelines, Directors act with prudent skill and diligence in the best interests of BCLC.

- **Board Committees**

The Board assigns specific committees to fulfil responsibilities and Committee Chairs report performance and recommendations to the Board. The Chairman of the Board and BCLC's President & CEO are ex officio members of all committees. Please see next page.

Board Committees

AUDIT COMMITTEE	<p>Liaises with auditors of BCLC financial operations; presents approved financial statements and quarterly reports to the Board; reviews financial information submitted to Government and the public; and oversees information systems, risk management and internal controls.</p> <p>CHAIR: Michael Riley</p> <p>MEMBERS: David W. Gillespie; Moray Keith; D. Neil McDonnell; Arthur Willms;</p>	
GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE	<p>Aligns governance focus to optimize overall performance; advances scope of corporate social responsibility; evaluates Board effectiveness; and plans succession for future Board composition.</p> <p>CHAIR: David W. Gillespie</p> <p>MEMBERS: Trudi Brown; Bud Smith; Moray Keith</p>	
HUMAN RESOURCES AND COMPENSATION COMMITTEE	<p>Aligns strategies, practices and succession with future goals; evaluates performance and compensation of the President & CEO; reviews employee compensation, benefits, resource allocation and training to drive performance</p> <p>CHAIR: D. Neil McDonnell</p> <p>MEMBERS: Cindy Grauer; John McLernon; Bud Smith</p>	
BCLC SENIOR MANAGEMENT AND EXECUTIVES	<p>PRESIDENT & CEO:</p> <p>VICE-PRESIDENTS:</p> <p>Peter Charlton</p> <p>Brad Desmarais</p> <p>Susan Dolinski</p> <p>Rhonda Garvey</p> <p>Kevin Gass</p> <p>Lynette Hughes</p> <p>Jim Lightbody</p> <p>Jervis Rodrigues</p> <p>Marsha Walden</p>	<p>Michael Graydon</p> <p>Human Resources</p> <p>Corporate Security and Compliance</p> <p>Communications and Public Affairs</p> <p>eGaming</p> <p>Lottery Gaming</p> <p>Business Technology</p> <p>Casino and Community Gaming</p> <p>Finance and Corporate Services</p> <p>Strategy, Transformation and Social Responsibility</p>
B.C. LOTTOTECH INTERNATIONAL INC. (Lottotech)	<p>This wholly owned subsidiary leases BCLC capital assets which are budgeted and approved by our Board of Directors and included in our financial statements. Lottotech Officers are BCLC's President & CEO and Vice-Presidents.</p>	

Decision required:

- For information only. No decision required.



April 30, 2013

Ministry of Energy, Mines and Natural Gas
British Columbia Lottery Corporation

ISSUE NOTE

Issue:

- BCLC Projected Revenue and Net Income to Government

Background:

- BCLC expects to meet its 2012/13 budget and deliver \$1.128 billion in net income to government. It is projecting \$2.732 billion in revenue. Audited financial statements will be made available in the annual report, which will be made public in June 2013.
- In its latest Service Plan (2013/14-2015/16), BCLC is forecasting \$3.6 billion in net income to the province with an average annual increase of about three per cent over the next three years: from \$1.128 billion in 2012/13 to \$1.237 billion in 2015/16.
- Total expenditures, are expected to increase by \$91.5 million or 5.7 per cent over the three-year period. Total expenditures for Fiscal 2013/14 are projected at \$1.6 billion.
- Capital budgets, which are primarily driven by the acquisition of gambling equipment to support revenue generation and infrastructure investment, are forecast to remain comparable over the three year planning period.
- Income to government will be sustained through optimizing business operations, strategic cost management and providing gambling facilities and products that reflect player demand.

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Financial Information (high level):

Projected net income by gaming channel, per latest Service Plan (2013/14-2015/16)

Casino and community gaming centres (CGC)

- Over the three-year planning period, casino and CGC net income before taxes is projected to increase by \$41.7 million, or 4.7 per cent. This growth will come from enhancing existing properties, creating more entertainment value for players, marketing efforts and the relocation and renovation of a few key properties.

Lottery

- Over the three-year planning period, lottery net income before taxes is expected to increase by \$15.9 million, or 5.5 per cent. Growth will come from the introduction of new products and product enhancements, upgrades to the "look and feel" of the lottery network, the build-out of Lotto Express and the revitalization of product offerings in the hospitality network.

eGaming

- Over the three-year planning period, eGaming net income before taxes will increase by \$28.8 million, or 82.3 per cent. Growth will come from the development of casino games on PlayNow.com, the introduction of multi-jurisdictional bingo, and new sports betting games. eGaming has also partnered with Manitoba Lotteries to provide them with an online gambling site for which BCLC receives a fee for the services provided.

(\$ millions)	2013/14 Current Forecast	2014/15 Current Forecast	2015/16 Current Forecast
Revenues			
Lottery	1,025	1,045	1,065
eGaming	100	111	126
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Total Revenues	2,803	2,869	2,940
Minus Prizes	645	657	665
Net Revenues	2,158	2,212	2,275
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Lottery	170	175	177
eGaming	42	44	47
Casino & Community Gaming	774	793	814
Total Expenses	986	1,010	1,038
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Lottery	277	283	289
eGaming	42	52	60
Casino & Community Gaming	853	867	888
Total Net Income	1,172	1,202	1,237
Capital Expenditures	120	110	110
Debt	173	202	225
Dividends	1,162	1,192	1,227

Decision required: For Information Only

- BCLC's finalized and audited net revenue, income and capital expenditure figures are expected to be reported to government by June 2013. They will also be publicly available with the release of the 2011/12 Annual Report, scheduled for late June.



April 30, 2013

**Ministry of Energy, Mines and Natural Gas
British Columbia Lottery Corporation**

ISSUE NOTE

Issue:

- Business Optimization

Background:

- BCLC has been successful at continuing to increase its net income over the last several years; however, the growth rate has been substantially less than earlier market build-out years.
- To develop a new strategy for growth and profitability, BCLC initiated a business optimization review in January 2012. The intent is to complete a comprehensive assessment of BCLC's existing business and operating models to identify major opportunities for improvement and/or validate existing models, with the ultimate goal of sustaining and growing revenue for government responsibly.
- The initial assessment has indicated there may be incremental revenue and cost saving opportunities in the range of \$300 million to be developed over BCLC's five-year planning horizon. BCLC is currently completing its due diligence review of these opportunities.
- BCLC has identified the following business optimization projects – all are currently in various stages of evaluation:

Multi-Channel Player

- BCLC has identified the opportunity to refresh its existing customer strategy and move towards best practices in enterprise customer management. This project will evaluate the gaps in BCLC's current customer strategy and determine how to move forward in order to optimize growth opportunities across its multiple channels.

Lottery, Casino/Community Gaming and eGaming Business Models

- Lottery
 - BCLC's lottery retail and technology model has remained essentially unchanged over the last 27 years. BCLC's retail technology is approaching its end of life, so before moving forward with replacement, BCLC is reviewing its model. As a first step, in October 2012, BCLC issued an RFP for a consulting firm to assess how we can transform our lottery business to keep pace with best practices, key consumer trends and changing demographics.

- Casino
 - BCLC is reviewing its existing casino business model. The review includes an examination of roles and accountabilities and a definition of future capabilities and competencies required to run a successful entertainment business. This assessment will also help BCLC identify and prioritize opportunities for increasing revenue from existing and new sources in the short and medium term. To date, BCLC has held workshops with its service providers to gather their input on how we can drive additional value and revenue for both parties.
- eGaming
 - In 2004, BCLC introduced PlayNow.com, which initially offered primarily traditional lottery products, but in 2010 was enhanced to include casino games. PlayNow.com competes directly with thousands of unregulated and illegal gambling websites.
 - In April, 2012, the governments of B.C. and Manitoba signed a memorandum of understanding to introduce Internet gambling in Manitoba through the PlayNow.com platform. PlayNow.com in Manitoba launched in January 2013. Under this arrangement, BCLC provides the gambling platform and the required operational support and receiver compensation through a startup fee, an annual maintenance fee, and a share of revenue generated by Manitoba Liquor and Gaming Corporation. This initiative is entirely self-funding and will operate at a small profit.
 - The Manitoba opportunity will help define the optimal business model and structure to best support the growth of the Business to Business (B2B) eGaming business, while driving maximum value for BCLC and the Province. If BCLC is successful in introducing this business model to other government gambling organizations, the return will be greater. The primary benefit to BCLC is an increased player base for poker games, an opportunity to recover development costs with participating government partners and a long-term opportunity to develop new sources of revenue beyond B.C. borders.
 - BCLC operates this line of business through a wholly owned subsidiary. The business rationale for the subsidiary is to optimize tax, segregate reporting, reduce risk, and achieve operational efficiencies.

Speed to Market

- One of BCLC's corporate goals is to grow net income and invest in the long-term health of our business by getting to market faster. In order to measure this goal, BCLC set the target to accelerate launches of major initiatives by 25 per cent over the next three fiscal years. This project is to develop an implementation roadmap in order to achieve this target without sacrificing the quality of products/services delivered.

Business Intelligence and Analytics

- To sustain success, BCLC needs to have the capacity to determine, in almost real time, what is happening with consumers and the business – including what is driving revenue, predict what will happen next and understand what steps to take in order to optimize operations and plan for future growth. This project has identified the need to transform raw data into useful information that can help drive strategic initiatives and decision making.

So what research has been done.

Accelerating Transformation and Optimizing Operations

- Finance & Corporate Services
 - BCLC is transforming its Finance and Corporate Services to enable faster, stronger and more strategic support for BCLC operations. This includes developing a new organizational structure that streamlines functions and delivers greater value to the organization. The organizational structure has been determined and restructuring will begin over the next several months.
- Customer Support Centre
 - BCLC is evolving its Customer Support Centre to provide best-in-class support for our players. BCLC issued an RFP to identify a partner who will help with our growth and expansion to support new jurisdictions and BCLC operations. Negotiations continue with the successful Canadian vendor.
- Change Management
 - BCLC is implementing a change management framework that will help support the future changes that will be coming in the organization as a result of Business Optimization. The framework covers key areas such as project management, communications and human resources.

Business Technology

- BCLC is optimizing and modernizing its delivery of technology to become more nimble, robust and secure. BCLC's business is highly technology-dependent and consumer expectations are intensifying our business technology needs.

Decision required:

- For information only. No decision required.



April 30, 2013

Ministry of Energy, Mines and Natural Gas
British Columbia Lottery Corporation

ISSUE NOTE

Issue:

- The British Columbia Lottery Corporation (BCLC) Gaming Facility Market Overview, Relocations and Renovations

Background:

- BCLC regularly assesses the marketplace to identify existing gaming facilities that need to be upgraded or relocated to better meet market demand. These assessments consider the broad entertainment landscape in the province and/or specific regions or communities and are used by BCLC as a basis for any future gaming facility relocations and renovations.
- BCLC conducts and manages three types of gaming facilities: casinos, community gaming centres and commercial bingo halls. BCLC's primary strategies are to:
 - Develop casino properties sized to fit the market that provide outstanding gaming entertainment and other amenities;
 - Position gaming facilities as outstanding entertainment for adults in B.C.;
 - Counter the declining bingo trend by transforming appropriate bingo halls in key market locations into community gaming centres, and offering more gaming entertainment and food/beverage options in upgraded or new facilities.

Current Market Overview:

- **Vancouver:** In March 2013 Paragon Gaming and PavCo completed negotiations and signed a Master Development Agreement for the relocation of Edgewater Casino to BC Place lands as approved by the City of Vancouver in April 2011. Paragon is now developing project plans to prepare its Development Permit Application for the City of Vancouver.

North Vancouver: In 2007, BCLC authorized Playtime Community Gaming to explore the North Shore market for a potential location for a community gaming centre. Discussions were held with the Squamish First Nation regarding possible sites, but in December 2012 the Nation advised BCLC it could not pursue gaming facility plans at this time. Playtime is now looking for other suitable locations on the North Shore.

- **Surrey:** In 2012, BCLC and Gateway Casinos submitted plans for a full service casino/hotel/conference centre to the City of Surrey. The South Surrey Entertainment Complex included a 60,000 square foot casino, 27,000 square foot convention centre, a show theatre, restaurants, lounges and a 4-star, 200 room hotel. Surrey City Council rejected the proposal on January 19, 2013. Plans to convert the Newton Bingo facility to a Chances community gaming centre – approved by Surrey City Council in 2009 – are proceeding.
- **Maple Ridge:** Construction is underway on the new Chances community gaming centre in Maple Ridge, which is targeted to open in fall 2013. The District of Maple Ridge approved the project in 2008. A temporary community gaming centre has been operating out of the former Haney Bingo Plex since October, 2010.
- **Salmon Arm:** BCLC has approved a proposal to relocate Vernon's Fairweather Bingo Hall to a site on Adams Lake Indian Band (ALIB) land near Salmon Arm and redevelop it into a community gaming centre (CGC). BCLC's marketplace assessment indicates there is demand for a community gaming centre in this area. The ALIB is currently holding community consultations with band members, as required by the Gaming Control Act.

Decision required: For Information Only

60 Day

- Paragon Gaming and PayCo have completed negotiations and have signed a Master Development Agreement for the relocation of Edgewater Casino to BC Place lands as approved by the City of Vancouver in April 2011. Over the next 60 days, Paragon will begin developing project plans to prepare its Development Permit application for the City of Vancouver. In the next 60 days, Edgewater Casino will re-negotiate its business permit with the City of Vancouver.

90 Day

- BCLC has a proposal to relocate Vernon's Fairweather Bingo Hall to a site on Adams Lake Indian Band land near Salmon Arm and redevelop it into a community gaming centre (CGC). Over the next 90 days, the Host Local Government, the Adams Lake Indian Band will conduct community consultations with band members, as required by the Gaming Control Act.



May 7, 2013

Ministry of Energy, Mines and Natural Gas
British Columbia Lottery Corporation

ISSUE NOTE

Issue:

- Edgewater Casino Relocation

Background:

- Vancouver's Edgewater Casino is required to re-locate as the lease on its temporary location at the Plaza of Nations will expire. While it was set to expire in February 2013, a lease extension has been negotiated until December 31, 2015. It is proposed that the Edgewater Casino will relocate from the Plaza of Nations to a site adjacent to BC Place Stadium.
- Edgewater Casino opened in 2005 and was the relocation of two table game only casinos. The Plaza of Nations location has always been temporary due to the City of Vancouver's community development plans.
- In 2009, the B. C. Pavilion Corporation (PavCo) conducted a competitive bid process to select a developer for the lands adjacent to BC Place. Paragon, the majority shareholder in Edgewater Casino ULC, was the successful proponent. Paragon proposed a development which included hotels, restaurants and a casino.
- In 2011, the City of Vancouver completed its requirements under the *Gaming Control Act* and gave its approval to BCLC for the relocation of Edgewater to BC Place lands. While the initial proposal was to expand the casino, the City limited the gaming that could be operated at the new site to the existing complement at Edgewater (600 slot machines and 75 table games). *approved but no expansion*
- In March 2013, Paragon Gaming and PavCo completed negotiations and signed a Master Development Agreement for the relocation of Edgewater Casino to BC Place lands. Paragon is developing project plans to prepare its Development Permit Application for the City of Vancouver. This information will be communicated once final discussions take place.
- Edgewater casino provides significant net income to government – \$58.2M in 2011/12 (\$52.4M to the Province and \$5.8M in host local government [HLG] funding to the City of Vancouver). It is anticipated the redeveloped Edgewater Casino will open in January 2016, with a projected incremental increase of \$20-25M in income to government in the first full year of operation in 2016/17. *How solid are these projections?*

Development details

- In support of the casino redevelopment, Edgewater will be subject to an accelerated development commission.

*- what is an accelerated development commission?
who runs this process
administered? what are
criteria to be eligible?*

- The funds will only be provided to Edgewater once construction has begun and construction costs in excess of the accrued funds have been incurred.
- While this agreement will accelerate the recovery of eligible facility development costs incurred by Edgewater, it does not result in greater compensation over the term of the operational services agreement.
- If BCLC is unable to accelerate access to facility development commissions, the Edgewater Casino relocation cannot proceed and government will be unable to achieve the future net gaming increase from the redevelopment of \$20 - \$25M annually. Additionally, if the relocation does not proceed, the existing revenue stream from Edgewater is at risk once the lease expires on December 31, 2015.

Service Provider Commission:

- The Service Provider Commission has been in place since 1997 and allows service providers of B.C. gaming centres and casinos to earn back a percentage of the revenues they generate to help fund improvements for their facility.
- This compensation structure is captured in the Casino Operational Services Agreement, which are typically 10 or 20 year contracts. It also defines the requirements for earning the three per cent facility development commission and two per cent accelerated facility development commission, an incremental commission to incent the timely development of the project.
- This is a highly effective business model – in B.C. over 56% of revenue generated by casino gambling is returned to the province compared to about 35% in Quebec, Ontario and Nova Scotia.

Decision required: For information only

- A prominent protest group, 'Vancouver not Vegas', opposes gaming expansion in the City of Vancouver and has made a petition to the BC Supreme Court for judicial review of the City of Vancouver's approval of the relocation of the Edgewater Casino. This strong, organized opposition is likely to cause further media and public scrutiny.



April 30, 2013

Ministry of Energy, Mines and Natural Gas
British Columbia Lottery Corporation

ISSUE NOTE

Issue:

- PlayNow.com

Background:

- The British Columbia Lottery Corporation (BCLC) launched PlayNow.com in 2004, becoming the second jurisdiction in Canada to offer online gambling. Atlantic Lottery Corporation was the first in 2004. Two other jurisdictions offer online gambling websites, Loto-Quebec (2010) and Manitoba Lotteries (2013).
- In 2010, BCLC added casino games, and in 2011 added peer-to-peer poker in partnership with Loto-Quebec. In 2012, BCLC added a new sports betting platform.
- PlayNow.com is an account-based website. Players must register in order to play, and the personal information they provide is verified by a third party to confirm identity, age and residency.
- PlayNow.com features comprehensive player protection safeguards, including:
 - The site is restricted to B.C. residents who are 19 years of age and older
 - Accounts require user names and are password protected
 - There is a player pre-set deposit limit with a 24-hour restriction on increase requests
 - All information is secure and transactions are monitored
 - Players can clearly see how long they've played and how much they've wagered
 - Players can view their purchase history (tickets purchased and amounts spent)
 - Information is posted on the odds of winning for every game
 - Each time players log on, a "geo-location" check verifies they are in B.C. (players are required to be in the province to purchase from PlayNow.com)
 - Easy access to the voluntary self-exclusion program
 - Player privacy: Meets or exceeds all statutory requirements
- All lottery and casino games, gaming equipment and vendors used for PlayNow.com are certified and/or approved by the Gaming Policy and Enforcement Branch (GPEB). GPEB conducts regular audits to ensure gaming is conducted in compliance with gaming legislation, directives, public interest standards, policies and procedures.

How do you make something like this work

- In April, 2012, B.C. and Manitoba signed a memorandum of understanding to introduce Internet gambling in Manitoba through the PlayNow.com platform. PlayNow.com in Manitoba launched in January, 2013. This initiative is entirely self-funding and will operate at a small profit.
- This opportunity will help define the optimal business model and structure to best support the growth of eGaming. The primary benefit to BCLC is an increased player base for poker games and an opportunity to recover development costs with participating government partners.
- PlayNow.com in Manitoba has the same comprehensive player protection safeguards in place as in B.C.
- BCLC's current service plan indicates PlayNow.com's net income before taxes will increase by \$28.8 million, or 82.3 per cent, by 2015/16. Growth will come from the continuing operationalization of the casino/poker portfolios, the introduction of multi-jurisdictional bingo, new sports betting games and website optimization for all internet platforms.

Decision required: For Information Only (12/14/2014)

- To keep pace with technology standards and user expectations, BCLC is making enhancements to the PlayNow.com interface to optimize the website for devices like tablets and smartphones.
- BCLC is also exploring opportunities to provide PlayNow.com to other jurisdictions in Canada.



April 30, 2013

Ministry of Energy, Mines and Natural Gas
British Columbia Lottery Corporation

ISSUE NOTE

Issue:

- Voluntary Self-Exclusion (VSE) Program and Lawsuits

Background:

- VSE is a voluntary program, a personal commitment and one tool that may assist people to control their gambling.
- Individuals choose a period between six months and three years to self-exclude from gambling facilities or PlayNow.com. A family member or friend cannot enroll an individual in VSE.
- Enrolment cannot be revoked. BCLC will remove participants from related marketing mailing lists during the VSE period. In addition, individuals who self-exclude from gambling facilities become ineligible for a PlayNow.com account. If they have a PlayNow.com account, it is suspended for the duration of their self-exclusion.
- Gaming staff and security at gambling facilities receive mandatory training every two years to assist patrons who may display signs of distress. As appropriate, patrons are provided relevant information and/or VSE enrolment.
- BCLC has offered the VSE program since 1999 and all Canadian jurisdictions offer self-exclusion programs.
- At enrolment, individuals are asked if they would like a facilitated referral to a problem gambling counselor, which Government provides free of charge throughout the province through GPEB's Responsible and Problem Gambling program.
- BCLC takes a number of steps to help monitor for self-excluded people including license plate recognition and visual monitoring by trained security and surveillance staff. BCLC provides training to service provider staff and audits service provider compliance with standards, policies and procedures relating to the operation of the VSE program.
- In 2012/13 BCLC installed ID scanners in all casinos and gaming centres to aid in the detection of minors. Service providers are expected to ask for ID from anyone who appears under 25. ID is scanned to verify age and then cross checked with BCLC's security database to determine whether the individual is enrolled in VSE.
- As an additional deterrent, since April 1, 2009, VSE individuals are ineligible for jackpot prizes.

VSE Statistics Overview:

	FY 2012/13	FY 2011/12	FY 2010/11	FY 2009/10	FY 2008/09
VSE New Enrolments	5,423	5,445	5,277	5,038	4,197
Reported Violations	8501	7766	7,637	8,397	8,161

Fiscal Year 2012/2013	Q1	Q2	Q3	Q4	FY Total
Date Range	Apr 1 – June 30, 2012	July 1 – Sept 30, 2012	Oct 1 – Dec 31, 2012	Jan 1 – Mar 31, 2013	FY 2012-2013
Individuals enrolled via casinos /CGCs/ bingo halls*	6614	6390	6526	6696	*
Individuals enrolled via PlayNow.com*	1172	1165	1199	1625	*
Total number of individuals actively enrolled*	8086	8055	8025	8231	*
Total number of new enrolments†	1359	1281	1323	1460	5423
➤ Enrolled at Casino /CGC/ Bingo	1050	989	990	1097	4026
➤ Enrolled at PlayNow.com	309	292	333	363	1397
Total Reported VSE violation**	1812	2029	2364	2296	8501
➤ VSE violations identified by License Plate Recognition	171	401	306	131	1830
➤ VSE violations identified by ineligible wins †	18	26	15	13	72
➤ VSE violations identified by ID scanners***	n/a	n/a	13	363	376

* Represents a snapshot of the number of individual who are actively enrolled as of the last day of each Quarter.

† Represents the total number of new enrolments in the VSE program each Quarter and includes numbers in rows 7 and 8.

** This is the grand total of VSE violations and includes numbers in rows 8 and 9.

*** Number of VSE individuals identified using identification (ID) scanners. ID scanners were introduced at the entrances of all gambling facilities across B.C. in December 2012 to aid in the detection of minors, as well as help detect those who should not be in B.C. casinos and community gaming centres.

† As per B.C.L.C.'s rules and reg. 4 more, VSE individuals are not eligible to receive a jackpot prize in a gaming facility and may be identified as violating their VSE commitment when they attempt to claim the prize.

<http://corporate.bclbc.com/resources/documents/corporate-whitepaper-rule-regulations-for-sale-RulesandRegulationsVSE.pdf>

Legal Action Summary

- There are currently six lawsuits against BCLC and its service providers regarding the VSE program: one case, a class action, relates to players who were dis-entitled to jackpot prizes due to their VSE status and five cases relate to VSE players who allege BCLC and its service providers were negligent in operating the VSE program.

- BCLC maintains that the program meets or exceeds statutory requirements and relevant industry practice and that it has complied with the Responsible Gambling Standards set out by GPEB. BCLC asserts that the VSE program is managed competently.

Class Action re: prize disentanglement:

- Beginning May 5, 2014, five days have been set aside for a BC Supreme Court trial into the common issues in the class action lawsuit against BCLC regarding BCLC's VSE jackpot disentanglement rule and the amendment to the Gaming Control Act in July 2010.
- Hamidreza Haghdust and Michael Lee are the representative claimants for the class action lawsuit, certified by BC Supreme Court in January 2013. The class membership is confined to VSE enrollees who were disentitled from claiming a jackpot prize. Claimants are seeking the equivalent to the prizes to which they were disentitled.
- Haghdust is a VSE participant and alleges that since November 2007 he routinely entered gambling facilities and gambled and on just one occasion was asked to leave. BCLC records indicate he was identified and escorted out of gambling facilities 18 times. He was disentitled to two jackpots totalling \$35,028. Lee was disentitled to \$42,484 and had been previously identified and escorted out of a gambling facility.

Cases claiming BCLC negligence in operating VSE:

- Joyce Ross sued BCLC, Gateway Casinos and Orangeville Raceway, an affiliate of Great Canada (Fraser Downs), for restitution of \$78,000 in gambling losses. She alleged that BCLC and the defendant service providers were negligent in operating the VSE program, and alleges she gained access to casino gambling several times as a VSE enrollee.
- The case was heard in BC Supreme Court in October 2012. Judgement is reserved and a decision could be delivered at any time.
- Four other VSE participants, Carol Barton, James Stanworth, Michelle Fels and Maria Martin, commenced similar lawsuits against BCLC and various gaming service providers. BCLC anticipates that these will be case-managed and heard together. No dates are set.

Decision required:

- For information only. No decision required.



April 30, 2013

Ministry of Energy, Mines and Natural Gas
British Columbia Lottery Corporation

ISSUE NOTE

Issue:

- Single-event sports betting: Bill C-290 – An Act to Amend the Criminal Code (Sports Betting).

Background:

- On September 28, 2011, the NDP MP for Windsor, Ontario, Joe Comartin, re-introduced his private member's bill (titled Bill C-290) amending the Criminal Code by eliminating s. 207 (4)(b), which makes wagering on a single sports event illegal.
- Bill C-290 is currently at Third Reading in the Senate. It is on the Order Paper and could be voted on at any time.
- Currently, it's illegal for Canadians jurisdictions to offer single-event sports betting; sports bets must be parlayed, meaning players must wager on a minimum of two different events. The player wins if both events are correct. This leads to the vast majority of sports betting in Canada being done through unlicensed, unregulated offshore websites. *— why?*
- Passing of the bill would make single-event sports betting legal in Canada, which would help take that money away from illegal, offshore gaming sites and book makers and keep the funds in the province to benefit British Columbians.
- This would be an important enhancement for regulated sports betting in Canada, and would allow BCLC to compete with offshore sites. This is something players want, and BCLC would be able to offer it through a safe, secure site were the proceeds are kept in B.C.
- B.C. has supported a change in legislation for several years. In April 2010, Minister Coleman, wrote a letter to the Minister of Justice and Attorney General of Canada, Rob Nicholson, urging him to consider amendments to the Code. *←*
- Minister Coleman was invited to appear before the Committee hearing on Bill C-290. He was unable to attend and requested the Gaming Policy and Enforcement Branch provide a written submission. GPEB provided a formal written submission in November 2012.
- Minister Coleman provided additional information on single event sports betting in April 2013 at Senator Runciman's request. Senator Runciman is the Senate sponsor of Bill C-290.
- To date, all Canadian gaming jurisdictions have indicated their support for Bill C-290 although some jurisdictions may choose not to offer single event betting should it become legal.

- The NFL and Major League Baseball appeared before the Senate Standing Committee on Legal and Constitutional Affairs and spoke against Bill C-290, arguing that the amendment would create match fixing in sports.
- BCLC proactively sought support for the Bill from partners, stakeholders and the public by:
 - Seeking media interview opportunities and submitting opinion editorials to educate and communicate to public via sports and news talk shows
 - Providing a written submission to the Senate in October 2012 in support of C-290, and encouraging partners and service providers to show support through letters to Senators
 - BCLC's CEO contacting B.C. Senators to educate and provide BCLC's rationale for support
 - Engaging PlayNow.com players and sports bettors to speak out in support through:
 - Email to PlayNow sports database to have players vocalize their support
 - Social media - with link to supportive material online
 - Encouraged players to sign an online petition.
- If the Bill passes and BCLC adds single event betting to its offerings, BCLC estimates it could generate an additional \$136 million in gross revenue over five years, which would translate into an additional \$30 million in net income to government over five years.

Decision required: For Information Only

- There is no estimated date for when Senate will vote on the Bill.

This is Exhibit "D" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1

Gaming Policy and Enforcement Branch

Transition Notes
Fiscal Year 2013/14



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Gaming in British Columbia – An Overview

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

- BC's commercial gaming is a \$2.7-billion industry which employs over 10,000 people
- A net income of approximately \$1.128 billion in 2012/13 benefitted people and communities across BC

Gaming in British Columbia – An Overview

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

Gaming Facilities Summary as at June 13, 2013.

Gaming Facility Type	Number	Slot Machines ^A	Table Games
Traditional Casinos ^B	15	8,647	446
Casinos at Horse Race Tracks ^C	2	1,065	22
Horse Race Tracks	5	0	0
Community Gaming Centres	19	2,484	0
Commercial Bingo Halls	7	0	0
Teletheatres	23	0	0
Totals	71	12,196	468

^A Includes Electronic Table Games

^B Includes one Casino with Commercial bingo gaming

^C Hastings Park and Fraser Downs are combination race tracks and casinos

Gaming in British Columbia – An Overview

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

Lottery products (as at April 15, 2013)

- There are 3,731 retailers, including 916 in the hospitality network (bars and pubs)
- Lotto! Express is offered at 100 Overwaitea Food Group locations across B.C. and will soon be expanding to liquor stores

Gaming in British Columbia – An Overview

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

PlayNow.com

- PlayNow.com offers national and provincial lottery games, online casino games, and peer-to-peer poker games
- BCLC partners with MB to host internet gaming via the PlayNow.com platform
- PlayNow.com has approximately 250,000 players registered
- PlayNow.com players must register, and a third party confirms identity, age and residency
- Safeguards include
 - Spending limit: Players can set their own weekly transfer-in limit, up to \$9,999
 - Session log: Time and amount spent is visible on each web page
 - Purchase history: Tickets purchased and amount spent for the past 52 weeks
 - Regular compliance audits conducted by GPEB

Gaming in British Columbia – An Overview

Race tracks and teletheatres

- Up to seven horse race tracks permitted (two major tracks and three seasonal tracks currently in operation)
- Fraser Downs and Hastings racecourses have casinos co-located with them, featuring slot machines and table games
- Up to 40 teletheatres permitted (23 sites currently operating: 11 at hotels/pubs, 10 at casinos or community gaming centres and two at horse race tracks)
- Teletheatres offer simulcast broadcasts of races run at local, national and international tracks

Licencing

- In 2011/12, GPEB issued almost 9,900 licenses to eligible community organizations to conduct and manage gaming events
- Community organizations raised an estimated \$33.4 million in 2011/12 to support their programs

Separation of Responsibilities and Authorities *(Gaming Control Act)*

- The *Gaming Control Act* provides for integrity of gambling in British Columbia
- There are three separate roles under the Act
 - Minister
 - General Manager of the Gaming Policy and Enforcement Branch (GPEB)
 - British Columbia Lottery Corporation (BCLC)
- The Minister provides oversight and guidance, leaving specific decision making to BCLC and regulation of the gaming industry, including BCLC, to GPEB
- BCLC is responsible for conducting, managing or presenting gaming
- These accountabilities and responsibilities ensure appropriate segregation of duties necessary to maintain the integrity of the industry

Separation of Responsibilities and Authorities *(Gaming Control Act)*

General Manager (GPEB)

- The General Manager must develop, manage and maintain the government's gaming policy and provide regulatory oversight of the gaming industry, including BCLC, service providers and charity organizations engaged in gaming
- GPEB is responsible for:
 - Developing and maintaining a strong and comprehensive policy and regulatory framework for gaming in BC
 - Establishing industry-wide public interest standards, and managing both responsible gambling initiatives and problem gambling treatment programs
 - Regulating the horse racing industry
 - Conducting financial and personal background checks on all gaming services providers and gaming workers
 - Approving and certifying all gaming equipment used in the province
 - Issuing licenses and grants
 - Conducting audits of commercial gaming, licensed gaming events and community organizations' use of gaming proceeds
 - Investigating all complaints and allegations of regulatory wrongdoing and assists law enforcement agencies in criminal investigations in gaming in the province

GPEB Budget and FTEs

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

- GPEB's core operating budget for 2013/14, is set at \$19.586 million, an increase of \$1.442 million over 2012/13¹
- A small balance in capital funding will be spent on upgrading GPEB's computer database in 2013/14

Reference

¹This increase is the result of a \$1.5M budget lift for the Responsible and Problem Gambling Program less \$58K, which was GPEB's portion of a ministry-wide budget reduction in EMNG.

²This amount previously was calculated to be \$0.122. It has been adjusted to include write-offs and non-IT assets and is now correctly stated as \$0.216.

³The budget reflects the amount of capital funding transferred from the Ministry of Justice (JAG) to EMNG.

⁴The remainder of the capital budget will be spent in 2013/14.

GPEB Budget and Expenditures (\$ millions), and FTE Staffing

Budget	2011/12 (actual)	2012/13 (actual)	2013/14 (budget)
Branch Core Operations	13.907	13.638	13.580
Responsible Gambling Strategy	4.453	4.506	6.006
Total Branch Operating Budget	18.360	18.144	19.586
Capital Budget	0.885	0.687 ³	0.021 ⁴
Expenditures			
Branch Core Operations	13.249	12.309	-
Responsible Gambling Strategy	5.595	5.469	-
Total Operating Expenditures	18.844	17.778	-
Capital Expenditures	0.216 ²	0.666	-
Variance – surplus/(deficit)			
Operating Costs	(0.484)	0.366	-
Capital Costs	0.669	.021	-
Staff			
Total Branch FTEs	156	156	10 156

Responsible Gambling Programs

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

- The government of BC and BCLC ensure that gaming in BC is conducted with integrity and that gaming events and products are offered in a socially responsible manner
- GPEB's budget for the RPG program for 2013/14 is \$6.0 million
- The strategy has three goals and supporting objectives
 - Goal 1 – Create public awareness of risks associated with gambling
 - Goal 2 – Deliver gambling in a way that encourages responsible gambling and informed choice
 - Goal 3 – Provide treatment and support to those affected by problem gambling
- Government has publicly committed to counselling services for gambling being available to everyone who needs them, without waitlists

Responsible Gambling Programs

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

- The Responsible Gambling Strategy offers the following initiatives
 - A 24 hour helpline is available for those in need, at 1-888-795-6111
 - Advertising and Responsible Gambling Standards for the BC gaming industry
 - GameSense Advisors providing responsible gambling information and services to patrons at all casinos and some community gaming centres
 - Responsible and problem gambling awareness education for all ages
 - The GamIQ, an iPad-based education program, designed specifically for college and university students. In 2012, a second version of this program was made available to high schools
 - Clinical counsellors located throughout the province offer support services for individuals, couples, families and groups
 - Telephone and outreach services serve people in remote communities
 - An intensive out-patient treatment program (Discovery Program) in the Lower Mainland and on Vancouver Island
 - Culturally relevant resources, programming and treatment are developed and delivered by specialized service providers
 - A BC Responsible and Problem Gambling Program website for British Columbians seeking information about the program and its services

Responsible Gambling Programs

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

The Centre for Gambling Research at UBC

- Government and BCLC have committed \$2 million over five years to support the establishment of the Centre for Gambling Research at the University of British Columbia (UBC)
- UBC will receive \$1 million in the first year and \$250,000 in each of the subsequent years. This funding is from forfeited prize winnings under the Voluntary Self Exclusion program (VSE individuals are ineligible for jackpot prizes)
- The centre will conduct research on the social and behavioral aspects of gambling, to inform and advance responsible and problem gambling prevention policy and programming in BC, as well as in other regions of Canada and internationally
- UBC will use the funding to cover operational expenses for the centre, infrastructure and research centre staff
- UBC is hiring a director to lead the centre, which is expected to be operational in fall, 2013

Horse Racing

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

- British Columbia's horse racing industry contributes \$350 million¹ to the province's economy and provides more than 7,400 people with approximately 3,600 full-time equivalent jobs
- Horse racing in BC is regulated under the Gaming Control Act. GPEB develops fair and appropriate rules and policy
- Those who work in or provide services to the horse racing industry must be registered with and licensed by GPEB
- There are two commercial horse race tracks (Hastings Racecourse, in Vancouver, and Fraser Downs Racetrack, in Surrey) and three community event tracks (in Vernon, Princeton and Osoyoos)
 - All are thoroughbred tracks except Fraser Downs, which is standardbred
 - The two commercial tracks have casinos co-located in them – Fraser Downs features slot machines and table games, and Hastings features slot machines only

¹ Dollar amount estimated in 2008, the most recent estimate available.

Horse Racing

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

- Twenty-three teletheatres in BC present simulcast satellite broadcasts of horse races run at local, national, and international tracks
- Teletheatre BC operates 21 teletheatres, and the Great Canadian Gaming Corporation operates the teletheatre at each of Fraser Downs and Hastings
- In recent years, wagering at race tracks and teletheatres in BC has ranged from \$160 million to \$180 million annually
- The BC industry is heavily dependent on simulcast revenues. Income from simulcast wagering accounts for more than 92 per cent of the money used to support horse racing in the province; only eight per cent is the result of live racing

Industry Revitalization

- Horse racing revenues have declined. To stabilize and revitalize racing in BC, the Province created the BC Horse Racing Industry Management Committee
- The committee provides strategic direction, decision-making and business leadership to guide the industry's effort to become financially stable and sustainable
- The committee has implemented a number of changes; the introduction of a marketing fund in 2011 has resulted in increased attendance and wagering at live racing event
- The committee is focused on creating a sustainable and transparent business model that benefits the entire industry. Areas targeted for improvement are:
 - governance
 - cost efficiencies in operations
 - new revenue initiatives and improving player interest and participation in BC horse racing and wagering
- A draft report was released to the industry in May 2013 and consultation is currently underway in advance of the final report
- Going forward, the Province's financial support is estimated at \$10 million

Gaming Grants

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

- In 2012/13, the Gaming Policy and Enforcement Branch (GPEB) distributed \$135 million to approximately 5,300 non-profit organizations. Funds were distributed to six sectors: human and social services, public safety, art and culture, sport, environment, and Parent Advisory Councils (PACs) and District Parent Advisory Councils (DPACs)
- The Gaming Grant Program is administered by the Ministry of Finance (FIN) and the Ministry of Community, Sport and Cultural Development (CSCD)
- Decisions regarding eligibility and grant approval are the responsibility of CSCD and have been since April 2011. CSCD receives the budget allocation for the grants
- GPEB is responsible for the administration of the program, including financial oversight, audit, IT services, and corporate support. Grants staff and administration remain with GPEB

Gaming Grants

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

- Amendments to the Gaming Control Act and regulation were introduced in April 2012 to enact the shared responsibility. GPEB has legislated authority to distribute the grants based on a set of criteria. CSCD and GPEB cooperate throughout the grant eligibility process
- A public review of the community gaming grant program examined the role of government in allocating gaming revenue to BC communities. Input was sought and received from charities, community members, industry representatives and local government. The final report, with recommendations, was provided to government on Oct. 31, 2011
- On January 11, 2012, Premier Christy Clark announced that the Province had increased gaming grants by \$15 million to a total of \$135 million, beginning in the 2011/12 fiscal year. At the same time, funding was reinstated for eligible adult arts and sports organizations, environmental groups and animal welfare agencies

Revenue Sharing with Host Local Governments

- In 2013/14, an estimated \$82.9 million in gaming revenue will be distributed to local governments hosting casinos and/or community gaming centres
- By the end of 2013/14, local governments that host gaming facilities will have received an estimated \$940.2 million in gaming funds since 1999
- 31 communities host a total of 17 casinos and 19 community gaming centres
- Since July 1999, the Province has provided a share of gaming revenue to local governments that host gaming facilities (casinos and/or community gaming centres) in their jurisdictions
- Host local governments can use the revenue for any purpose that benefits the local community. They are required to report annually to the Province on the expenditure of these funds

Revenue Sharing with Host Local Governments

- Revenue sharing is set out in signed contracts between the Province and host local governments. Under these contracts, there are two revenue sharing models
 - Community casino model: host local governments receive 10 per cent of the net casino gaming revenue from community casinos and/or community gaming centres within their jurisdiction
 - Destination casino model: host local governments receive one-sixth of net casino gaming revenue from destination casinos within their jurisdiction

Anti-Money Laundering

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

- Facility-based gaming generated \$1.6 billion in gross revenue (net win) in FY 12/13. It remains primarily a cash-based business in BC; however, GPEB and BCLC have taken significant measures to reduce this reliance on cash
- In 2011, the Province commissioned a review to examine current anti-money laundering practices in BC gaming facilities. The review determined what anti-money laundering policies, practices and strategies are in place at BC gaming facilities, and identified opportunities to strengthen the existing anti-money laundering regime

- GPEB and BCLC, in cooperation with gaming service providers, have set a new AML strategy and implemented new measures addressing the recommendations of the review. There is a focus on moving the industry away from a reliance on cash
- GPEB completed a performance progress report on May 29, 2013, which set out the next steps in the strategy
- The Ministry's 2013/14 – 2015/16 Service Plan has a performance measure intended to further shift the industry from cash transactions to electronic methods for funds access within casinos

First Nations and Gaming in British Columbia

Ministry of Finance

Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

Background

- Sharing gaming revenue is a key issue for First Nations. Various First Nations leaders have written to the Premier with their concerns
 - First Nations desire for a direct share in gaming revenue
 - Province's duty to consult with First Nations where gaming facilities are re-located on land that may infringe upon Aboriginal title and rights
 - Authority for gaming on First Nations lands

First Nations Revenue

- Host local governments (HLG) receive 10 percent of the net revenues from the casino or gaming community centre they host. Three First Nations host gaming facilities on their land (Ktunaxa, Cowichan, Squamish), and a fourth site will be added on Adams Lake Indian Band land near Salmon Arm
- Unlike Alberta, Saskatchewan, Manitoba, Ontario and New Brunswick, BC does not directly share gaming revenues with First Nations
- The provincial government does share revenue directly with First Nations, from resource developments on Crown land such as mining, forestry and oil and gas

First Nations and Gaming in British Columbia

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

Province's Duty to Consult

- The Gaming Control Regulation requires BCLC to be satisfied that the HLG has consulted with each potentially affected local government, including First Nations. It limits consultation with First Nations to advising them of the gaming proposal, and seeking their comments solely in relation to infrastructure or policing costs and traffic and highway use
- In a 2005 case involving the development of the River Rock Casino in Richmond, BC on Crown lands, the Supreme Court of British Columbia found that because BCLC is an agent of the Crown, the Province had a duty to consult on issues related to potential land claims. The Province provided financial compensation to the Musqueam Indian Band
- GPEB has asked BCLC to consider the need for consultation in its plans to move or construct gaming facilities. BCLC is considering advice provided through the Ministry of Aboriginal Relations and Reconciliation, but has not yet determined a course of action

First Nations and Gaming in British Columbia

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

Gaming on First Nations Lands

- Citing “existing aboriginal and treaty rights,” affirmed by section 35(1) of the *Constitution Act*, 1982, many First Nations assert that BC does not have exclusive jurisdiction over gaming activities in the province
- Under the *Criminal Code of Canada*, the Province is delegated the authority to conduct and manage all gaming, both on and off First Nations reserve lands
- In BC, the *Gaming Control Act* (GCA) provides the legislative framework for gaming in the province, and the provincial government has sole jurisdiction for gaming and regulation of gaming in BC. The Province delegates BCLC the authority to conduct, manage and operate commercial gaming, with the exception of horse racing

This is Exhibit "E" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1

BCLC Briefing

June 2013

BCLC Overview

- ◉ BCLC conducts, manages and operates lottery, casino, bingo and e-gaming on behalf of the Province.
- ◉ Our products are sold through contracted private-sector retailers and service providers.
- ◉ 3,800 lottery locations, 17 casinos, 19 community gaming centres and 7 commercial bingo halls.
- ◉ Approximately 900 FTEs work in offices in Vancouver and Kamloops and in the field.

Government Expectations

- ⦿ Operate gambling in a manner within social policy framework set out by Government, and in a manner consistent with the Province's Responsible Gambling Strategy.
- ⦿ Operate within the legislative, regulatory and policy framework set out by the Minister of Finance or the Gaming Policy and Enforcement Branch.
- ⦿ Enhance the corporation's anti-money laundering compliance programs including measures to move the industry away from cash and other strategies in the Province's Anti-Money Laundering Action Plan. * get a copy
- ⦿ Optimize the corporation's financial performance.
- ⦿ Optimize the security, integrity and efficiency of the corporation through modernization of infrastructure, process, and technology.

Business Performance

- 2012/13 Net income \$1,127.6 Billion

Casino \$829.4 M

Lottery \$280.4 M

eGaming \$17.5 M

- 2012/13 direct expenses, gaming support costs and operating expenses were under budget by \$20.4 M and continue to be under budget this year.

- 2011/12-2012/13 Year over Year Revenue Growth:

Lottery 2.5 %

eGaming 12 %

Casino 0.1 %

- Net income May YTD is \$4 M greater than budget at \$184.4 M against a budget of \$180.4 M.

Business Landscape

- Continued investment in business has generated incremental growth (Lotto Express, eGaming). Current investments will continue to take time to translate into revenue growth.
- Major build-outs of casinos and community gaming centres are nearing completion – Edgewater remains a significant opportunity.
- Legacy systems are being replaced at a cost of approximately \$135 million over the next 3 years.
- Strategic focus on broadening the customer base with engaging a younger demographic (19-35) due to revenue reliance on an aging customer demographic.

Business Landscape

- ◉ BCLC recognized as an international leader in innovation, responsible gambling, and business performance by jurisdictions around the world.
- ◉ In 2010, the World Lottery Association recognized BCLC as having the best responsible gambling program in the world and in 2012/13 the BC built GameSense brand was adopted by Manitoba and Saskatchewan to promote responsible gambling.
- ◉ Social license & reputation management being driven through stakeholder engagement. Highest level of public support for BCLC since 2004 (80%).

* PM
Leach's
Leach's

*
What about
NWP &
aligning

what was it
traditionally

bclc
playing it right

Benchmarking Comparison

2010/11 Net Win Per Capita (\$)



2010/11 Operating Costs Ratio (%)



*- lower that
cannot go if forget*

- 2010/11 Operating Costs Ratio (%)
- BCLC and Treasury Board have agreed on a cost ratio target of 42.5% of Net Win.

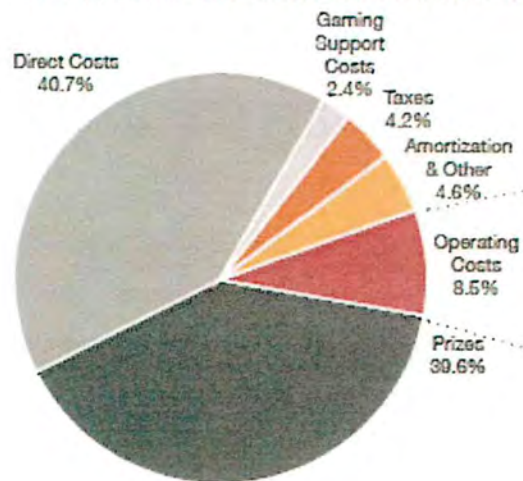
On Track to Achieve Service Plan Targets

consolidated corporate operations

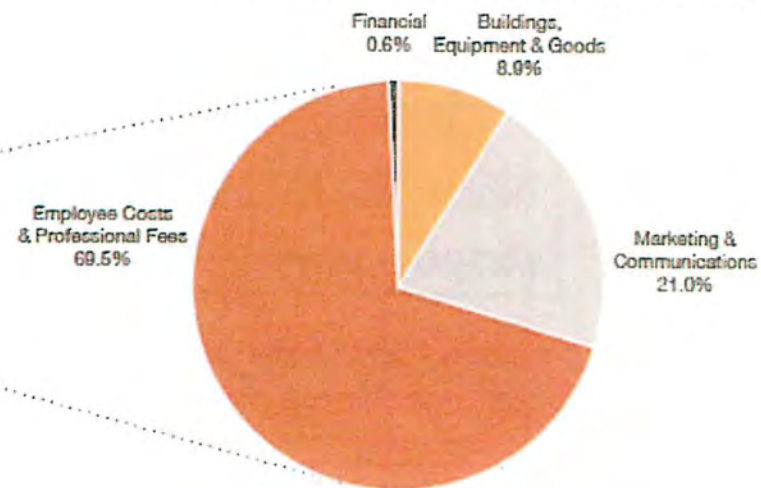
\$ millions	2011/12 ACTUAL	2012/13 BUDGET	2012/13 ACTUAL	2013/14 BUDGET	2014/15 TARGET	2015/16 TARGET
Revenue	\$ 2,701.4	\$ 2,760.3	\$ 2,731.9	\$ 2,803.0	\$ 2,868.7	\$ 2,940.1
Prizes	641.9	624.4	649.6	645.2	656.5	665.0
Net Win	2,059.5	2,135.9	2,082.3	2,157.8	2,212.2	2,275.1
Direct Expenses	630.3	650.7	637.2	664.3	681.4	699.5
Gaming Support Costs	29.0	34.1	29.4	38.6	39.3	40.0
Operating Costs	132.9	135.9	133.7	139.4	141.9	144.2
Amortization and Other	73.0	90.2	57.6	75.5	78.5	84.1
Total Costs	865.2	910.9	857.9	917.8	941.1	967.8
Net Income Before Taxes	1,194.3	1,225.0	1,224.4	1,240.0	1,271.1	1,307.3
Taxes	86.9	100.0	96.8	68.0	69.1	70.3
Net Income	\$ 1,107.4	\$ 1,125.0	\$ 1,127.6	\$ 1,172.0	\$ 1,202.0	\$ 1,237.0
Capital Expenditures	74.4	116.2	96.6	120.0	110.0	110.0

On Track to Achieve Service Plan Targets

2013/14 TOTAL EXPENDITURES: \$1.631 BILLION



2013/14 OPERATING COSTS: \$139.4 MILLION



Most Significant Area for Revenue Growth: Casinos

Incremental Revenue Opportunities (next 5 years)

Strategic Market Review - Near-Term Growth Outlook		
Source of Growth	<u>Incremental Win (\$Million)</u>	
	Low	High
New Facilities	\$33.3	\$65.2
Relocated/Repositioned Facilities	\$41.1	\$71.7
Organic Growth	\$47.7	\$102.8
Total *	\$122.1	\$239.8

* Organic Growth is achieved through business analytics, marketing initiatives, and strategic adjustments to existing business

Revenue Initiatives

Initiative	Description	Net Win (over 3 years)*
PlayNow in New Channels	Implement capabilities of PlayNow to Casino/CGC. Enables infrastructure for a multichannel player strategy. Planning underway, multi-year project.	\$47 M
PlayNow.com Device Compatibility Upgrade	Capability to purchase lottery tickets and make sports bets on regardless of device being used (mobile, tablet, etc.). Go live: June 24, 2013.	\$10 M
GMS (Gaming Management System)	Infrastructure upgrade at Casino/CGC's will provide marketing, responsible gambling and analytics that will increase revenue. Implementation underway.	\$120M
New/Upgraded Casinos/CGC's	Casino: Boulevard Repositioning - June 2013 CGC: Maple Ridge – Opening November 2013 CGC: Salmon Arm - Opening August 2014 Casino: Edgewater – Opening 2016	\$15 M \$22 M \$60 M

*once fully operational

Revenue Initiatives

Initiative	Description	Net Win (over 3 years)*
Lotto Express	Ability to purchase lottery tickets at grocery check-outs, implemented in Save-On / Overwaitea stores. Expanding to 195 Liquor Distribution stores, starting in second quarter 2013/14.	\$54 M
Lotto 6/49 Game Change	New Lotto 6/49 will include a guaranteed \$1 million prize every draw, increasing the base jackpot to \$5 million, improving the overall odds of winning and increasing the price point to \$3. Launch: Fall 2013.	\$15 M

*once fully operational

Revenue Initiatives

Initiative	Description	Net Win
Business Optimization	Multi-year project to build upon existing transformation initiatives by identifying major opportunities for revenue growth or business efficiency, or validating current model. Includes Lottery, Casino and eGaming optimization, Multi-Channel strategy and Speed to Market assessment.	\$200 - \$300 M*
eGaming B to B	Partnering with other gaming jurisdictions to offer our PlayNow platform. Live with Manitoba Lotteries – January 2013. Currently negotiating with Alberta.	TBD

*lifetime

Cost Management Initiatives

- The 2013/14 advertising & marketing budget was reduced by \$400K from the 2012/13 budget.
- Discretionary costs including employee travel, employee relations and professional fees were reduced by \$1.4 M in the 2013/14 budget vs. 2012/13 budget.
- All management and executive salaries remain frozen.
- BCLC spends approximately \$193 M with 1200 suppliers annually. BCLC is focused on competitive bid processes and contract renegotiations to generate an estimated \$10 M in savings or added value annually.

Striking the Right Balance: Balancing Revenue & Investment with Cost Management

- ⦿ Significant opportunities to drive Revenue
- ⦿ Significant investment required to execute on revenue opportunities, as well as investing in:
 - Modernizing legacy systems
 - Support Divisions:
 - Finance: Accelerate Transformation
 - Business Technology: Resourcing
 - Strategy: Responsible Gambling
 - Communications & Public Affairs: Reputation Management Strategy
 - Human Resources: Human Resources Information System (HRIS)
 - Corporate Security & Compliance: Governance, Risk & Compliance (GRC)
- ⦿ Investment must be balanced against cost management strategies
 - Efficiency and effectiveness reviews of operations
 - Enhancing delivery and operating models
 - Redeploying resources to meet greatest business need

Social Responsibility/Public Affairs

- ◉ Annually, BCLC's budget for responsible gambling is \$3.5 M in addition to the Province's budget of \$5.9 million.
- ◉ BCLC and the Province are investing an additional \$2 M with University of British Columbia to develop an independent gambling research centre. The centre is funded from the Jackpot Disentitlement Rule which requires BCLC to disentitle individuals from jackpots they win while enrolled in the Voluntary Self Exclusion program.
- ◉ The centre will conduct research on the social and behavioral aspects of gambling including examining new treatment technologies, evaluating programs and exploring potential improvements that can lower risk to gamblers.
- ◉ BCLC and the Province contract the Responsible Gambling Council to independently review and accreditation all gaming facilities in BC. To date, 17 facilities have received "RG Check" accreditation. BCLC will invest approximately \$5 M over three years for accreditation of all 36 facilities.

- thought these contracts under GPEB

11

- * Key Consideration
Franchise Fee
= $\frac{\text{Revenue}}{\text{Participation}}$

30/60/90 Day Issues/Opportunities

30 Days

- Bill C290 regarding Single Event Sports Betting – On June 18th, BCLC joins other provincial jurisdictions at the Canadian Gaming Summit in Montreal to urge the Senate to pass the Bill. The Province of BC has already formally expressed its support for the Bill.
- Upgrade of PlayNow.com for device compatibility (tablet/mobile use) – June 24th.
- Boulevard Casino re-positioning – June 25th. *Hard Rock Brand*
- Edgewater Casino Relocation – Paragon will announce a development partner and an updated MDA with PavCo – end of June. *Can't get it*
- Michael Graydon, CEO of BCLC, will be announced as the co-chair of the 2014 Grey Cup Committee – end of June. *RFP*

60/90 Days

- BCLC Kamloops Customer Support Centre alternative service delivery project. *Call centre outsourcing*
- World Lottery Association Level 4 Re-Certification. *Criteria please*
- Announcement of appointment of Director of UBC Gambling Research Centre. *govt consultant*
- Province of Alberta – potential announcement re: partnership with BCLC on PlayNow.com. *Funds withheld must be matched*
- Decision on Joyce Ross legal action regarding BCLC duty of care for Voluntary Self Exclusion program. *BCLC does own research*

Long Term Opportunities

- Expanding eGaming business development to United States to offer PlayNow.com. *Work to be done*
- BCLC Business Optimization Program – recommendations will be brought forward to government in the next 12 months to propose changes to BCLC's operating models in Lottery, Casino and eGaming to optimize and increase revenue to the Province of BC.

↳ TB visit is under

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This is Exhibit "F" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

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1519 Amelia Street
Victoria BC V8W 2K1

**Ministry of
Finance**

**REVISED 2013/14 – 2015/16
SERVICE PLAN**



For more information on the British Columbia
Ministry of Finance,
see Ministry Contact Information on Page 19 or contact:

Ministry of Finance
PO BOX 9417
STN PROV GOVT
VICTORIA, BC
V8W 9V1

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www.gov.bc.ca/fin

Published by the Ministry of Finance

Message from the Minister and Accountability Statement



British Columbia has worked hard to exercise fiscal discipline, with a record to back it up. Eleven years of fiscal prudence have put us in a good position to manage the challenges of global economic uncertainty. Our triple-A credit rating and affordable debt-to-GDP ratio have strengthened our international reputation as a safe harbour, bringing new investment into all regions of the province—supporting job creation and revenues that sustain B.C. families.

The B.C. government is determined to protect and preserve our province's triple-A credit rating. B.C.'s triple-A credit rating saves taxpayers millions of dollars a year in the government's cost of borrowing. Every dollar we don't pay in interest is one we can invest in public services or reduce our borrowing. An ongoing commitment to balancing the budget by not spending more than taxpayers send us can help us preserve our triple-A status. This is essential to protect future generations from the high costs of government debt. B.C. remains one of only two provinces in Canada with a triple-A credit rating from both Standard and Poor's and Moody's—the highest rating possible.

We are required under current law to return to balanced budgets in 2013/14, and we will do so responsibly. This prudence helps us maintain a triple-A credit rating, and support priority programs ensuring British Columbians generally have one of the lowest overall tax burdens in Canada. The turbulent global economy and declining natural resource revenues are not something we can control, but we can control our spending. Continued spending discipline will be necessary as we maintain balanced budgets in the years to come.

As committed, the PST was re-implemented April 1, 2013, with all permanent exemptions. For businesses, the new legislation is clearer and easier to administer than the original legislation, helping simplify business compliance and reduce costs.

Significant progress has been made between government and unions under the Cooperative Gains Mandate. The mandate provides the opportunity for employers and unions to find creative solutions to negotiate modest wage increases funded from savings within existing budgets, not adding costs to taxpayers and ratepayers, and not sacrificing services. Currently, almost three-quarters of the people working in the B.C. public sector now have tentative or ratified agreements settled under the 2012 Cooperative Gains Mandate.

New this year to the Finance portfolio is the British Columbia Lottery Corporation. Commercial gaming in B.C. is a \$2.7-billion-a-year industry, providing an estimated 37,000 direct and indirect jobs for British Columbians. The Province receives more than \$1.1 billion annually in gaming revenue to support healthcare, local governments and thousands of community organizations. Since 2001, the Province has provided more than \$1.5 billion in gaming grants to community organizations

and of all provinces, B.C. distributed the most government gaming revenue to non-profit community organizations.

I want to thank the incredibly dedicated and professional staff at the Ministry of Finance. I am proud to work with them every day and I appreciate their ongoing commitment to serving British Columbians.

The *Ministry of Finance Revised 2013/14 – 2015/16 Service Plan* was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the basis on which this plan has been prepared and for achieving specific objectives in this plan.

A handwritten signature in black ink, appearing to read 'Michael de Jong', with a stylized, flowing script.

Honourable Michael de Jong
Minister of Finance
June 14, 2013

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Purpose of the Ministry

The Ministry of Finance plays a key role in establishing, implementing and reviewing government's economic, fiscal, financial management and taxation policies.



The Ministry is responsible for delivering fair, efficient and effective tax administration, and revenue and treasury management that fund government programs, services and infrastructure essential to citizens in British Columbia.

The Ministry is also responsible for:

- Government's economic forecasting, fiscal planning, budgeting and reporting;
- Government's economic, fiscal and taxation policy;
- Tax and non-tax revenue administration and loan administration and collection;
- Oversight of financial, procurement and administrative governance for the broader public service (ministries, crown agencies and the schools, universities, colleges and hospitals (SUCH) sector);
- Banking, accounting, and risk and debt management services for government;
- Policy development for the financial, corporate and real estate sectors in British Columbia;
- Gaming policy and enforcement; and
- Regulation of the financial services and real estate sectors, and administration of the B.C. credit union deposit insurance fund.

Also, the Minister of Finance is accountable for the B.C. Public Service Agency (see pages 24-31), Public Sector Employers' Council (see pages 32-33), B.C. Securities Commission, B.C. Lottery Corporation, Pacific Carbon Trust and Partnerships B.C.¹.

Ministry clients include the citizens of British Columbia, Treasury Board, Cabinet, ministries, Crown corporations, boards and commissions, agencies, businesses, investors and financial sector agencies.

The Ministry publishes several reports – please see page 20 for links to these publications.

¹ For more information refer to: www.bcpublicserviceagency.gov.bc.ca/ (Public Service Agency); <http://www.fin.gov.bc.ca/psec/> (Public Sector Employers' Council); www.bcsc.bc.ca/ (B.C. Securities Commission); www.bclc.com (B.C. Lottery Corporation); www.pacificcarbontrust.com/ (Pacific Carbon Trust); www.partnershipsbcc.ca/index.php (Partnerships B.C.).

Strategic Context

The Economy

The Economic Forecast Council expects British Columbia's real GDP will grow by 1.6 per cent in 2013 and 2.5 per cent in 2014. Risks to British Columbia's economic outlook include the following: further slowing of domestic economic activity; renewed weakness in the US economy; the ongoing European sovereign debt crisis threatening the stability of global financial markets; exchange rate volatility; and slower than anticipated economic growth in Asia dampening demand for BC's exports.

Fiscal Responsibility

B.C. has been more resilient than other jurisdictions in meeting the challenges of global economic uncertainty. While declining natural gas revenues have had a significant impact, measures have been implemented to mitigate these declining revenues in order to balance the 2013/14 budget. These include reductions in discretionary spending across government, including savings in operations such as travel and discretionary spending, freezing salaries for public sector management, continuing the public service hiring freeze, and the sale of surplus properties and assets. Surplus properties and assets are those no longer in use, not required for future use, and assets where there is no strategic benefit for the Province to own. These measures send a strong signal to international bond rating agencies which continue to reward the Province with a triple-A credit rating.

Government Priorities

The government has identified job creation, families, and a commitment to transparency and open government as major priorities over the next several years. The Ministry of Finance is committed to contributing to each of these priorities.

- The Ministry supports job creation by contribution to the *B.C. Jobs Plan*, through tax initiatives, fiscal responsibility, and deregulation to foster an environment that encourages business success.
- The Ministry supports B.C. families by overseeing prudent fiscal management of all government funds. These efforts aid in maintaining low tax rates for individuals and families living and working in British Columbia and contribute to decreasing the province's debt load to lessen the burden for future generations.
- The Ministry supports open government by driving greater transparency and fiscal accountability through proactively releasing data and information to the public.

Return to a Provincial Sales Tax

During the summer of 2011, British Columbians had the opportunity to participate in a province-wide referendum on the harmonized sales tax (HST). On August 26, 2011, Elections B.C. announced that British Columbians had voted in favour of eliminating the HST and returning to the provincial sales tax (PST) plus federal goods and services tax (GST) system.

Following the referendum results, government committed to make the transition back to the PST/GST system as quickly as responsibly possible. The *Provincial Sales Tax Act* received Royal Assent on May 31, 2012, and the PST was re-implemented on April 1, 2013, with all permanent exemptions.

The government also introduced common-sense improvements that will make administration of the sales tax easier for businesses. The new PST was implemented under a more modern and streamlined Act (the *Provincial Sales Tax Act* or PSTA) that is, for technical taxation legislation, clearer, easier to understand and comply with, easier to administer and which better reflects modern technology and business practices.

The ministry's focus is now on the first-year administration of the re-implemented PST, including assisting businesses through the transition by answering PST application and remittance questions, registration and monitoring payments.

Gaming

The increasing complexity of gaming poses new regulatory and enforcement challenges. For example, the introduction of casino-style games offered over the internet, as well as gaming on mobile devices, mark a significant milestone in the evolution of the gaming industry, requiring regulatory and enforcement practices to evolve along with the industry.

Goals, Objectives, Strategies and Performance Measures

Goal 1: Sound and transparent management of government finances

Confidence in British Columbia's economy is important for attracting investment and creating jobs, and is supported by a sound and sustainable fiscal environment. Responsible fiscal policies ensure that the government can maintain and enhance the delivery of key public services and that the costs of public services are not passed on to future generations. Public confidence is further enhanced by open accountability that demonstrates the appropriate management of government finances.

Objective 1.1: Effective management of government's fiscal plan

The government's ability to achieve a sustainable fiscal environment relies on the development and maintenance of a prudent and resilient fiscal plan. The Ministry plays a critical role in overseeing the fiscal plan and works closely with the federal government, provincial ministries and other public sector partners to ensure that government's annual and three-year revenue, and operating and capital expenditure targets are met.

Strategies

- Continuously monitor revenues, spending and debt set out in the [fiscal plan](#)², and take corrective action as required to meet targets.
- Ensure effective cash management to minimize borrowing requirements and debt service costs.
- Manage government's capital plan, including strategic investments in infrastructure across the province.

Performance Measure 1: Provincial credit rating

Performance Measure	2012/13 Forecast	2013/14 Target	2014/15 Target	2015/16 Target
Provincial credit rating	Aaa	Aaa	Aaa	Aaa

Data Source: Moody's Investor Service (Credit Rating Agency).

² For more information refer to: <http://www.bcbudget.gov.bc.ca/>.

Discussion

This measure is the provincial credit rating determined by Moody's Investors Service, a recognized and independent credit rating agency. This credit rating influences the interest rate that the Province is charged when it borrows in either the domestic and international capital markets. Credit ratings are provided in descending alphabetical order from A to C – highest to lowest. Triple-A (Aaa) is the highest possible rating and it is provided only to those public and private sector organizations that are assessed as borrowers with excellent financial security and pose low risk for investor loss. Organizations with a triple-A credit rating are generally offered the lowest interest rates when borrowing.

In determining the Province's credit rating, rating agencies evaluate debt as a percentage of gross domestic product (GDP) and interest owing as a percentage of gross receipts. Agencies also consider the government's track record in meeting its fiscal targets, its transparency in budgeting and reporting, the economic outlook, and business and consumer confidence in the economy. With government's continued focus on prudent fiscal management, it anticipates maintaining its triple-A credit rating.

Performance Measure 2: Budget deficit / surplus

Performance Measure	2012/13 Preliminary Actual	2013/14 Target	2014/15 Target	2015/16 Target
Budget deficit / surplus	\$1.146 B deficit	As set out in government fiscal plan	As set out in government fiscal plan	As set out in government fiscal plan

Data Source: British Columbia Budget and Fiscal Plan.

Discussion

This measure reflects the Ministry of Finance's overall success in implementing the government's fiscal plan. Specifically, the government will return to a balanced budget in 2013/14.

Objective 1.2: Accountable, efficient and transparent financial and program management across government

The Ministry supports accountability and transparency through the public release of financial and program information and a variety of governance frameworks that apply to ministries and the broader public sector. The successful implementation of effective governance frameworks supports increased value for use of public funds and contributes to public confidence in government. To facilitate the application of these frameworks, the Ministry supports government with tools and training to build necessary capacity.

Strategies

- Provide governance and oversight to:
 - Ensure all government entities (e.g. ministries, Crown agencies, etc.) are publicly accountable for their programs, services and fiscal management.
 - Ensure appropriate financial and program management, systems and guidance are in place for the broader public service.
- Use risk-based approaches to effectively manage government's resources.
- Undertake strategic reviews of government business processes to identify opportunities to maximize efficiency.
- Meet statutory reporting requirements and comply with generally accepted accounting principles (GAAP).³

Performance Measure 3, 4 and 5: Annual Release Dates for Budget and Public Accounts, and Audit Opinion

Performance Measure	2012/13 Forecast	2013/14 Target	2014/15 Target	2015/16 Target
Release date of the <i>Budget</i>	February 19, 2013	By legislated due date	By legislated due date	By legislated due date
Completion date of the <i>Public Accounts</i> ¹	On or Before June 30, 2013	On or before June 30, 2014	On or before June 30, 2015	On or before June 30, 2016
Audit opinion	Public Accounts in compliance with GAAP	Public Accounts in compliance GAAP	Public Accounts in compliance with GAAP	Public Accounts in compliance with GAAP

Data Source: Release of the *Public Accounts*.

¹ The legislated due date for the release of the *Public Accounts* is August 31st for the previous fiscal year.

³ The government of British Columbia adheres to generally accepted accounting principles for senior Canadian governments as identified by the Public Sector Accounting Board.

Discussion

The first two measures capture the timeliness of government budgeting and financial reporting. Timely release of financial information is critical for effective use of the information and helps instill public confidence in government's ability to manage its resources. The *Budget Transparency and Accountability Act* requires the release of the Province's budget by the third Tuesday of February in the immediately preceding fiscal year and the Province's financial statements (*Public Accounts*) by August 31 following each fiscal year end.

The third measure is an indication of government's transparency in accounting for its finances. In preparing the *Public Accounts*, the Ministry strives to provide an open, accurate and fair representation of the government's financial position in accordance with generally accepted accounting principles (GAAP). To validate this position, government seeks an independent audit opinion that offers an objective assessment of its financial reporting.

Goal 2: A strong, competitive and vibrant economy

Objective 2.1: A fair and competitive tax and regulatory environment

A tax system that is perceived by British Columbians to be fair increases their confidence in government. Furthermore, the Province's ability to develop a strong and vibrant economy depends on a tax and regulatory environment that is both nationally and internationally competitive. Jurisdictions with competitive tax regimes and regulatory frameworks are successful in attracting and retaining personal and business investment. This success in turn enhances economic development and generates stable revenues to support critical government services such as health care and education.

Strategies

- Continue to improve the fairness, competitiveness and sustainability of the provincial tax system.
- Ensure financial and corporate regulatory frameworks are efficient and effective, and protect the public interest.
- Commit to net zero regulatory gain through 2015.
- Support the Ministry of Jobs, Tourism and Skills Training in implementing a *Regulatory Reporting Act* to mandate annual reporting on regulatory reform.
- Advance B.C.'s interests with the federal and other provincial governments on federal-provincial fiscal relations.

Performance Measure 6, 7 and 8: Provincial Income Tax Ranking

Performance Measure	2012/13 Forecast	2013/14 Target	2014/15 Target	2015/16 Target
Provincial ranking of corporate income tax rates	In the lowest four	Remain in the lowest four	Remain in the lowest four	Remain in the lowest four
Provincial ranking of personal income tax rates for the bottom tax bracket	In the lowest two	Remain in the lowest two	Remain in the lowest two	Remain in the lowest two
Provincial ranking of personal income tax rates for the second-from-bottom tax bracket	In the lowest two	Remain in the lowest two	Remain in the lowest two	Remain in the lowest two

Data Source: Published legislation and budgets from all 10 provinces.

Discussion

The measure of the provincial ranking of corporate income tax rates compares the general corporate income tax rate in British Columbia, as of March 31 each year, to those of other provinces in Canada. The targets reflect government's commitment to maintaining a competitive tax environment that fosters economic growth by encouraging business investment and promoting a business-friendly environment.

The two measures of the provincial ranking of personal income tax rates provide a comparison of British Columbia's personal income tax rates for the bottom two tax brackets, as of March 31 each year, with those of the other nine provinces. These targets demonstrate government's commitment to maintaining low tax rates for individuals and families living and working in British Columbia.

Objective 2.2: Responsive, effective and fair revenue, tax and benefit administration that funds provincial programs and services

The Ministry manages revenue in relation to statutes it directly administers, as well as statutes administered by other ministries.⁴ These revenues support the provision of important government programs and services such as health care, education, social services and transportation infrastructure for British Columbians.

The Ministry is committed to identifying and collecting amounts owed to government in a manner that is fair and respectful to citizens and taxpayers.

⁴ See Appendix C: Legislation Administered by the Ministry.

Strategies

- Administer the transition from HST to a PST and GST tax system.
- Simplify and streamline tax and other revenue legislation.
- Focus compliance activities on areas with the highest risk of non-compliance.
- Explore further opportunities for applying technological solutions to improve compliance and enforcement activities.
- Improve collaboration across jurisdictions to help ensure tax revenue owed to the Province is identified and received in a timely manner.
- Improve practices used to collect outstanding amounts owed to government.
- Continue to consolidate government revenue management.

Performance Measure 9: Per Cent of Amounts Owed to Government Paid or Collected

Performance Measure	2012/13 Forecast	2013/14 Target	2014/15 Target	2015/16 Target
Per cent of amounts owed to government paid or collected ¹	94.45%	Maintain	Maintain	Maintain

Data Source: Ministry of Finance business information systems

¹ This measure includes all amounts owed to government and administered by the Ministry of Finance. Amounts owed to government include revenue identified during the fiscal year and overdue accounts from the current and previous fiscal years. These amounts may be billed by the Ministry, self-assessed by individuals and businesses, or identified by the Ministry through audit and compliance activities. Since the transition to HST (July 1, 2010), which was administered by the Canada Revenue Agency, this measure currently does not include provincial sales tax. With the reinstatement of the PST on April 1, 2013, this measure will include the PST and performance will be baselined in 2013/14, with future targets revised as appropriate.

Discussion

This measure reports on the success of the Ministry in collecting all amounts under its administration owed to government in a specific fiscal year. This measure includes amounts owed to government where the Ministry is responsible for both revenue and debt collection functions. It excludes revenue and debt collections for personal and corporate income tax, and HST collected by the Canada Revenue Agency on behalf of the Province. As a result, this measure reflects approximately 40 per cent of revenue overseen by the Ministry.

Goal 3: Responsible regulation of gaming opportunities

Objective 3.1 British Columbians continue to have confidence in the management of gaming

Strategies

- Ensure that all gaming in the province, including gaming conducted over the Internet, is subject to a high level of rigour and scrutiny. This includes ensuring appropriate people and companies are involved in the gaming industry, conducting regular audits of all commercial gaming venues, and investigating allegations of wrongdoing to ensure the integrity of gaming and use of proceeds.
- As part of a broader enforcement strategy, work with the British Columbia Lottery Corporation and the gaming industry to move away from cash-based play in order to prevent money laundering activity at casinos.

Performance Measure 10: Enhanced access to funds in gaming facilities

Performance Measure	2011/12 Baseline	2012/13 Target	2013/14 Target	2014/15 Target	2015/16 Target
Enhance access to funds in gaming facilities	Two options	Introduce three new options	Introduce three new options	Introduce one new option	Introduce one new option

Data Source: Gaming Policy and Enforcement Branch.

Discussion

This new measure tracks the strategy of providing a suite of options to access funds in gaming facilities. The strategy is part of the Gaming Policy and Enforcement Branch's continuing diligence concerning money laundering in B.C. casinos. Developing options that result in the increased use of electronic methods to access funds in casinos, enables an increased vigilance of large cash amounts carried into casinos.

Transition from cash transactions to electronic methods to access funds in casinos supports the goal of moving the gaming industry away from its current state as a cash dependent industry. It diminishes opportunities for criminal attempts to legitimize illegal proceeds of crime in gaming facilities in the province.

Casino patrons currently have the option of using the Patron Gaming Fund or an Automated Teller Machine to access funds. In 2012/13, the Gaming Policy and Enforcement Branch will add three new strategies: the ability to access debit at the cash cage; the use of a cheque hold process; and the use of preapproved cheques. In 2013/14, casino patrons will be able to access funds inside a casino through internet transfer, U.S. funds transfer and foreign funds transfer.

Resource Summary

Core Business Area	2012/13 Restated Estimates ¹	2013/14 Estimates ²	2014/15 Plan	2015/16 Plan
Operating Expenses (\$000)				
Treasury Board Staff.....	6,738	6,709	6,709	6,709
Office of the Comptroller General.....	5,931	5,931	5,931	5,931
Treasury.....	1	1	1	1
Revenue Division				
Gross	154,899	205,762	204,622	193,514
Recoveries²	(87,558)	(139,696)	(140,056)	(128,948)
Net.....	67,341	66,066	64,566	64,566
Policy and Legislation.....	5,015	4,975	4,975	4,975
Public Sector Employers' Council Secretariat	16,640	16,640	16,640	16,640
Internal Audit and Advisory Services...	2,407	2,407	2,407	2,407
Executive and Support Services.....	13,136	12,150	12,155	12,157
Gaming Policy and Enforcement.....	18,377	19,819	19,819	19,819
Public Service Agency.....	51,163	50,807	50,807	50,807
Benefits.....	1	1	1	1

Core Business Area	2012/13 Restated Estimates ¹	2013/14 Estimates ²	2014/15 Plan	2015/16 Plan
Insurance and Risk Management Account				
Gross	53,622	53,622	53,622	53,622
Recoveries ³	(49,431)	(49,431)	(49,431)	(49,431)
Net.....	4,191	4,191	4,191	4,191
Provincial Home Acquisition Wind Up special account ⁴	10	10	10	10
Total	190,951	189,707	188,212	188,214
Ministry Capital Expenditures (Consolidated Revenue Fund) (\$000)				
Executive and Support Services.....	9,655	7,995	765	64
Gaming Policy and Enforcement.....	750	23	0	0
Public Service Agency.....	0	0	2	0
Total	10,405	8,018	767	64
Other Financing Transactions (\$000)				
Reconstruction Loan Portfolio				
Receipts.....	(16,500)	(17,000)	(16,000)	(15,000)
Disbursements.....	500	400	400	400
Net Cash (Requirements).....	(16,000)	(16,600)	(15,600)	(14,600)
Student Aid BC Loan Program				
Receipts.....	(90,000)	(90,000)	(90,000)	(90,000)

Core Business Area	2012/13 Restated Estimates ¹	2013/14 Estimates ²	2014/15 Plan	2015/16 Plan
Disbursements.....	247,000	230,000	230,000	230,000
Net Cash (Requirements).....	157,000	140,000	140,000	140,000
International Fuel Tax Agreement Motor Fuel Tax Act				
Receipts.....	(12,171)	(12,043)	(12,043)	(12,043)
Disbursements.....	2,866	2,643	2,643	2,643
Net Cash (Requirements).....	(9,305)	(9,400)	(9,400)	(9,400)
Land Tax Deferment Act.....				
Receipts.....	(47,000)	(52,000)	(58,000)	(63,000)
Disbursements.....	113,000	110,000	115,000	125,000
Net Cash (Requirements).....	66,000	58,000	57,000	62,000
Provincial Home Acquisition Wind Up special account				
Receipts.....	(20)	(18)	(18)	(18)
Net Cash (Requirements).....	(20)	(18)	(18)	(18)

¹ For comparative purposes, amounts shown for 2012/13 have been restated to be consistent with the presentation of the 2013/14 Estimates.

² Further information on program funding and vote recoveries is available in the Estimates and Supplement to the Estimates.
(<http://www.bcbudget.gov.bc.ca/>)

³ These recoveries represent amounts paid into the Insurance and Risk Management special account in respect of agreements or arrangements with participants, and amounts required to be paid into the account under regulations.

⁴ This account is established under the *Special Appropriation and Control Act* effective April 1, 2004, for the purpose of providing for expenditures for the winding up of the loan and financial assistance programs under the *Home Conversion and Leasehold Loan Act*, *Home Mortgage Assistance Act*, *Home Purchase Assistance Act*, *Homeowner Interest Assistance Act* and Provincial Home accounts and guarantee claims paid under the mortgage assistance programs.

Appendices

Ministry Contact Information

Ministry Central Office

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Minister's Office

Honourable Michael de Jong
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Victoria BC V8W 9E2
Phone: 250 387-3751
Fax: 250 387-5594

Media Queries

Phone: 250 356-9872
Fax: 250 356-2822

Gaming Policy and Enforcement

Victoria – Head Office

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Victoria B.C.
Ph: 250-387-5311
Fax: 250-356-8149

Burnaby – Audit, Investigation and Racing

Audit: #220 - 4370 Dominion Street
Burnaby, B.C.

Investigations and Racing: #408 - 4603 Kingsway Avenue, Burnaby, B.C.
Ph: 604 660-0245 Fax: 604 660-2030

Kelowna – Regional Office

#200 - 1517 Water Street, Kelowna, B.C.
Ph: 250 861-7363
Fax: 250-861-7362

Prince George – Regional Office

#211 - 1577 7th Avenue, Prince George, B.C.
Ph: 250-612-4122
Fax: 250-612-4130

Hyperlinks to Additional Information

Reports and Publications

- Budget and Fiscal Plan, Estimates, Public Accounts, Quarterly Reports, and Financial and Economic Review: www.fin.gov.bc.ca/pubs.htm
- For more information and other Ministry Service Plans and Annual Service Plan Reports, please visit: <http://www.bcbudget.gov.bc.ca/default.htm>
- For other reports and publications of the British Columbia Ministry of Finance, please visit: www.fin.gov.bc.ca/pubs.htm

The Minister of Finance is also the Minister responsible for the following Crown corporations, Boards, Commissions and Advisory Committees:

Crown Corporations:

- Partnerships B.C.: www.partnershipsbcc.ca/
- Pacific Carbon Trust Inc: www.pacificcarbontrust.com/
- B.C. Lottery Corporation: www.bclcc.com
- B.C. Securities Commission: www.bcsc.bc.ca/

Boards and Commissions

- Financial Institutions Commission: www.fic.gov.bc.ca/
- Financial Services Tribunal: www.fst.gov.bc.ca/
- Insurance Council of British Columbia: www.insurancecouncilofbc.com/PublicWeb/Home.html
- Public Sector Employers' Council: <http://www.fin.gov.bc.ca/psec/>
- Real Estate Council of British Columbia: www.recbc.ca/

Advisory Committees:

- Accounting Policy Advisory Committee:
www.fin.gov.bc.ca/brdo/boardView.asp?boardNum=191095

Gaming Policy and Enforcement: www.gaming.gov.bc.ca

Problem Gambling Help Line:

For help in recognizing the warning signs of problem gambling and to get information on free programs, services and resources available to assist problem gamblers and their families:

Call 1-888-795-6111 or visit www.bccresponsiblegambling.ca (confidential, free service available 24 hours/7 days, in multiple languages).

Legislation Administered by the Ministry

The Minister of Finance is charged with the administration of the following enactments, presented alphabetically.

Auditor General Act
Balanced Budget and Ministerial Accountability Act
Bonding Act
British Columbia Railway Finance Act
Budget Transparency and Accountability Act
Business Corporations Act
Carbon Tax Act
Constitution Act ss. 25-27
Consumption Tax Rebate and Transition Act
Cooperative Association Act
Credit Union Incorporation Act
Creditor Assistance Act
Esquimalt and Nanaimo Railway Belt Tax Act
Finance Statutes Amendment Act, 2011 s.142
Financial Administration Act
Financial Information Act
Financial Institutions Act (except as it relates to the establishment and incorporation of the Corporate Registry)
Gaming Control Act (except part 6)
Home Owner Grant Act
Hotel Room Tax Act
Income Tax Act
Income Trust Liability Act
Indian Self Government Enabling Act
Insurance (Captive Company) Act (except as it relates to the establishment and incorporation of the Corporate Registry)
Insurance Act
Insurance Premium Tax Act
International Business Activity Act
International Interests in Mobile Equipment (Aircraft equipment) Act
Land Tax Deferral Act
Logging Tax Act
Manufactured Home Act
Ministry of Consumer and Corporate Affairs Act ss. 3 and 4(a)
Miscellaneous Registrations Act, 1992
Mortgage Brokers Act
Motor Fuel Tax Act
Mutual Fire Insurance Companies Act (except as it relates to the establishment and incorporation of the Corporate Registry)
New Housing Transition Tax and Rebate Act
Partnership Act (except as it relates to the establishment and incorporation of the Corporate Registry)

Pension Agreement Act
Pension Benefits Standards Act
Pension Fund Societies Act (except as it relates to the establishment and incorporation of the Corporate Registry)
Personal Property Security Act (except as it relates to the establishment and operation of the Personal Property Registry)
Petroleum and Natural Gas Act ss. 74-77
Ports Property Tax
Probate Fee Act
Property Transfer Tax Act
Provincial Sales Tax Act
Public Service Act
Public Sector Employers Act
Public Sector Pension Plans Act
Public Service Benefit Plans Act
Public Service Labour Relations Act
Real Estate Development Marketing Act
Real Estate Services Act
Repairers Lien Act
Sechelt Indian Government District Home Owner Grant Act
Securities (Forged Transfer) Act
Securities Act
Securities Transfer Act
Social Service Tax Act
Society Act (except as it relates to the establishment and incorporation of the Corporate Registry)
South Coast British Columbia Transportation Authority Act Part 7.1
Special Accounts Appropriation and Control except ss. 4, 5, 7-9, 9.2-9.6 and 10(2)(a) and (b)
Taxation (Rural Area) Act
Tobacco Tax Act
Unclaimed Property Act
Warehouse Lien Act
Warehouse Receipt Act

The Minister of Finance is charged with the administration of the following enactments in areas related to revenue management processes only.

Forest Act

Forest and Range Practices Act

Forest Practices Code of British Columbia Act

Forest Stand Management Fund Act

Homeowner Protection Act

Medicare Protection Act

Mineral Land Tax Act

Mineral Tax Act

Mines Act

Ministry of Forests and Range Act

Oil and Gas Activities Act

Oil and Gas Commission Act

Petroleum and Natural Gas Act

Range Act

School Act

Wildfire Act

BC Public Service Agency

Purpose of the Agency

The BC Public Service Agency provides human resource leadership, expertise, services and programs that contribute to better business performance of ministries and government as a whole.

Strategic Context

The BC Public Service is the largest corporate workforce in the province, serving over 280 communities across British Columbia. From frontline workers to accountants and architects, researchers and analysts, information technology professionals and others, there is virtually no area of expertise unrepresented. Public servants provide a wide range of services to British Columbians such as health care, public safety, education, and environmental management, to name a few.

The BC Public Service Agency supports the work that these public servants do by providing human resources services (such as hiring, payroll, labour relations and learning) to the BC Public Service. In doing so, it helps ensure that the BC Public Service continues to have the right people to do that work. Some internal and external factors impacting the BC Public Service Agency's work toward this goal are:

External Factors

- Canada is currently in a period of fiscal restraint where public sector spending is being reduced as federal and provincial governments work to bring deficits under control. The reduction in public sector spending makes finding ways to deliver the services in a more effective manner even more of a priority. In response, the BC Public Service has adopted Lean, a proven process improvement methodology, to guide us in reviewing our business processes in order to eliminate steps that don't benefit our customers.
- Changing demographics, such as an aging and increasingly diverse population, continue to influence employers in many ways. One such example is the financial pressure an aging workforce is putting on benefit plans. Conference Board of Canada research has shown that benefits costs are increasing 10% each year, and make up an increasing percentage of the total cost of employment.
- While the current global economic influences are easing the demand for labour in the short term, the labour market is expected to remain tight in the long term. Skilled employees expect an engaging work environment, good career growth, learning and development opportunities and competitive salaries and benefits. So for employers to retain and attract the skilled labour they require it remains important to continue refining human resource strategies to ensure they can offer employees an appealing work environment.

Internal Factors

- The [2012 Corporate Human Resource Plan](#),⁵ *Being the Best*, lays out a plan for building a better BC Public Service and transforming our organizational culture to create an employment experience that is not only engaging, but enables us to offer the citizen's of British Columbia our very best. The three areas of focus within the plan are:
 - Lean Thinking - applying a proven business improvement approach in the BC Public Service that will help us find new efficiencies, put employee ideas and leadership into action and broaden our repertoire of solutions.
 - Diversity Strategy - embracing the diversity of our organization enables us to better meet citizens' expectations of accessing government services in diverse ways. A corporate diversity strategy, [Reflecting Our Communities](#)⁶, expands upon what diversity is, why it is a priority, what the B.C. Public Service has accomplished to date, and the plan for ensuring all our policies and procedures reflect the diverse communities we serve.
 - Health and Workplace Safety Strategy - providing education, activities and programs to reduce health risk factors and keep employees healthy, safe and productive at work.
- The B.C. Public Service Agency has recently completed a significant transformation of its service delivery model for how human resource services are delivered across the B.C. Public Service. This transformation included implementation of new technologies as well as changes to the B.C. Public Service Agency's organizational structure. The purpose of the transformation was to improve effectiveness and reduce the overall costs of Human Resource services while supporting the goals of *Being the Best*. Now that this transformation is complete, the focus has shifted to continuous improvement of the Human Resource service delivery model.
- To ensure the most efficient use of our valuable human resources, the BC Public Service is implementing ways of sharing these resources across ministries in order to reduce costs and maintain critical services for the citizens of British Columbia.

⁵ For more information, refer to: <http://www.bcpublicserviceagency.gov.bc.ca/down/BeingtheBest.pdf>

⁶ For more information, refer to: http://www.bcpublicserviceagency.gov.bc.ca/down/Diversity_Strategy.pdf

Goals, Objectives, Strategies and Performance Measures

Goal 1: Provide high quality and innovative workforce solutions that enable the BC Public Service to deliver services expected and needed by British Columbians.

Objective 1.1: Modernized, responsive and flexible management of human resources.

Objective 1.2: Strategically aligned resources, investments and data in the delivery of human resource services.

Objective 1.3: Focused and purposeful investment in human resources.

Objective 1.4: The goals of the Corporate Human Resource Plan for the BC Public Service, Being the Best, are realized.

Strategies

- Continue refining the delivery of human resource services to align with leading practices, reduce HR transactional costs, improve service quality and redirect funding to specialized services.
- Lead the implementation of Lean, a process improvement methodology, across the BC Public Service through the Lean Program Management office.
- Continue supporting implementation of the corporate diversity strategy, *Reflecting our Communities*, through further integration of diversity into BC Public Service Human Resource practices, to ensure the BC Public Service better reflects and is more responsive to the needs of citizens and communities.
- Invest in technologies to automate the capture and transfer of critical employee data to improve the efficiency and integrity of data management.
- Support the open government initiative by exploring opportunities to improve access to reliable and consistent Human Resource information, to meet the needs of the BC Public Service, and to respond to the needs of citizens.
- Continue implementing a Health and Productivity Strategy that takes a proactive and preventative approach in supporting a healthy and productive workforce and avoiding Public Service benefit cost increases due to illness and disability.
- Continue developing *Being the Best*, the Corporate Human Resource Plan for the BC Public Service, based on feedback and results.

Performance Measure 1: Absences related to illness and injury days per Full Time Equivalent (FTE)⁷

Performance Measure	2011/12 Baseline	2012/13 Forecast	2013/14 Target	2014/15 Target	2015/16 Target
Absences related to illness and injury per FTE	8.7 days	8.65 days	8.6 days	8.4 days	8.3 days

Data Source: BC Public Service Agency

Discussion

Aging workforces, changes in demographics, and the rising prevalence of chronic disease in the population are challenges faced by all employers in BC. The BC Public Service recognizes that employees who optimize their health are more productive and engaged, and therefore better equipped to provide the best possible customer service to the public.

This measure identifies the number of days lost due to illness or injury. At 8.7 days, the BC Public Service compares favourably against the Canadian provincial public sector average of 10.2 days and the federal public sector at 12.5 days⁸. The lower rate for the BC Public Service reflects our focus on health promotion and prevention services, at-work supports for employees with illnesses or injuries, and timely rehabilitation and return to work for employees who are off work due to an illness or injury.

This measure is long term in nature as it takes time to see meaningful results from programs such as health promotion and prevention services. The BC Public Service is committed to a continued emphasis on earlier interventions and services, which is expected to have a long term positive impact on employee health outcomes.

Performance Measure 2 and 3: Workforce utilization

Performance Measure	2011/12 Baseline	2012/13 Preliminary Actual	2013/14 Target	2014/15 Target	2015/16 Target
Reduction in FTE utilization	27,228	27,326	26,066	25,805	25,805

Data Source: BC Public Service Agency

Performance Measure	2011/12 Baseline	2012/13 Forecast	2013/14 Target	2014/15 Target	2015/16 Target
Auxiliaries as a percentage of the workforce	7.6%	5%	5%	5%	5%

Data Source: BC Public Service Agency

⁷ One FTE is defined as an employee who works 1820 hours a year. This could be one full time employee, or more than one part-time employee who collectively work 1820 hours. One employee who works overtime would proportionately increase the FTE calculation.

⁸Source of comparative information is "[Work absences in 2011](http://www.statcan.gc.ca/pub/75-001-x/2012002/article/11650-eng.pdf)," *Perspectives on Labour and Income*. Statistics Canada, April 20, 2012. page 8, (www.statcan.gc.ca/pub/75-001-x/2012002/article/11650-eng.pdf)

Discussion

The targeted decline in FTE utilization reflects the continued budgetary requirement for government to prioritize key government services and programs and achieve savings and improved effectiveness in their delivery. It is expected that the projected decrease for the next three years will be achieved through normal annual voluntary exits, including retirements, which are expected to continue at consistent rates over the next few years.

The hiring of auxiliaries is intended to fill short-term business needs, either for an interim, cyclical or seasonal basis. Monitoring the proportion of auxiliaries in the workforce helps to ensure hiring levels support BC Public Service FTE utilization targets.

Resource Summary Table

Core Business Area	2012/13 ⁹ Estimates	2013/14 Estimates	2014/15 Plan	2015/16 Plan
Operating Expenses (\$000)				
Public Service Agency ¹⁰	51,163	50,807	50,807	50,807
Benefits	1	1	1	1
TOTAL	51,164	50,808	50,808	50,808
Capital Plan (\$000)				
Public Service Agency	0	0	2	0
Total	0	0	2	0

⁹ For comparative purposes, amounts shown for 2012/13 have been restated to be consistent with the presentation of the 2013/14 Estimates.

¹⁰ Further information on program funding and vote recoveries is available in the [Estimates and Supplement to the Estimates](http://www.bcbudget.gov.bc.ca/). (<http://www.bcbudget.gov.bc.ca/>)

Appendices

B.C. Public Service Agency Contact Information

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Victoria BC

Phone: 250 952-6296

For more information on the B.C. Public Service Agency, please visit our website at:

<http://www.bcpublicserviceagency.gov.bc.ca/>

Legislation Administered by the Agency

Public Service Act

Public Service Benefit Plan Act

Public Service Labour Relations Act

The Public Sector Employers' Council and Employer Associations

Public Sector Employers' Council

The Public Sector Employers' Council (PSEC) supports government in setting and coordinating strategic directions in labour relations for the broad public sector and is the government partner in the four British Columbia public sector pension plans¹¹. PSEC is also active in the area of public sector pension plan management.

PSEC's authority related to labour relations is contained in the *Public Sector Employers Act*¹². This authority includes administering and managing the development and implementation of labour relations policies and practices in the British Columbia public sector. In addition, PSEC supports the Minister of Finance – the Minister responsible for PSEC – in directing employers to create compensation plans for both excluded and executive employees that include compensation, wages, benefits and perquisites.

PSEC's authority related to pension plans is based on the *Public Sector Pension Plans Act*¹³ and joint trust agreements. It includes representing government in its role as a partner in the plans, working with other partners involved in the plans to ensure the sustainability of the plans, monitoring government's risk exposure and providing policy advice to both government and public sector employers.

Current PSEC strategies to support government's management of public sector labour relations and fulfill its role with respect to the four public sector pension plans include:

- Developing and maintaining negotiating and executive compensation frameworks that incorporate government's fiscal, policy and program directions.
- Working with other plan partners and plan boards to accomplish the objectives of the Public Sector Pensions Framework.
- Continuing to improve the quality and reliability of data that support negotiations, and excluded and executive compensation.
- Continuing to expand strategic labour relations and pension capacity in the provincial government.

¹¹ The four pension plans contained in the act are: [College Pension Plan](#), [Municipal Pension Plan](#), [Public Service Pension Plan](#), [Teachers' Pension Plan](#). For more information see [PensionsBC.ca](#).

¹² For more information refer to: http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/00_96384_01.

¹³ For more information refer to: http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/00_99044_01.

Employer Associations

The employer associations funded by the Public Sector Employers' Council include: the British Columbia Public School Employers' Association (BCPSEA)¹⁴, the Community Social Services Employers' Association (CSSEA)¹⁵, the Health Employers' Association of British Columbia (HEABC)¹⁶, and the Post Secondary Employers' Association (PSEA)¹⁷. The Crown Corporation Employers' Association (CCEA)¹⁸ is funded by contributions from its members.

The mandates and purposes of these associations are found in sections 6 and 7 of the *Public Sector Employers Act*.

Their governance structures are as follows:

- BCPSEA has a board of up to 15 members. Nine of these members are school trustees who are elected to the board annually; up to four are appointed by the provincial government; and two non-voting members are appointed, one each, by the British Columbia Association of School Business Officials and the British Columbia School Superintendents Association.
- CCEA has a board of up to 11 directors. Eight of its members are elected or appointed from among member employers; two are appointed by the provincial government; and the Chair is elected from Chief Executive Officers of member employers.
- CSSEA has a board of up to 11 directors. Up to seven of these directors are appointed by representatives of social service agencies; one is appointed by Community Living British Columbia; and up to three are appointed by the provincial government.
- HEABC has an 11-person board. Six of its members are appointed from the health authorities; two by the provincial government; and one each from proprietary care providers, affiliated care providers and denominational care providers.
- PSEA has a 10-person board. Six of its members are elected annually from member employers; two are appointed by the provincial government; and two non-voting members are the Chair and Vice-chair of the PSEA's Standing Committee on Human Resource Practices.

Forecast Employer Association Expenditures¹⁹

Forecast Expenditures (\$000)			
2012/13	2013/14	2014/15	2015/16
25,390	24,758	25,270	25,130

¹⁴ www.bcpsea.bc.ca

¹⁵ www.cssea.bc.ca

¹⁶ www.heabc.bc.ca

¹⁷ www.psea.bc.ca

¹⁸ <http://cceabc.com/>

¹⁹ Expenditures are total forecast expenditure of employer associations included in the government reporting entity and are funded through transfers from government, membership dues, and other sources.

This is Exhibit "G" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

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Ministry of Finance
BRIEFING DOCUMENT

To: Honourable Michael de Jong, Q.C.
Minister of Finance

Initiated by: John Mazure **Date Prepared:** September 24, 2014
ADM and General Manager
Gaming Policy and Enforcement Branch

Ministry John Mazure **Phone Number:** [REDACTED]
Contact: ADM and General Manager **Email:** [REDACTED]
Gaming Policy and Enforcement Branch

338417

TITLE: Gaming Expansion in British Columbia

PURPOSE:

☒ **DECISION REQUIRED**

Executive Director approval: _____

ADM approval: _____

Associate DM approval: _____

DATE PREPARED: September 24, 2014

TITLE: Gaming Expansion in British Columbia

ISSUE:

The availability of gaming has been steadily expanding in the province over the last 10 years. If expansion continues, there are likely to be calls from community organizations and local governments to increase their share of gaming revenue. There may also be an increase in problem gambling prevalence if prevention and treatment services do not keep pace with expansion.

A decision is requested about whether the Minister would like the Gaming Policy and Enforcement Branch (GPEB) to develop a comprehensive gaming expansion strategy that considers multiple factors including economic, social, and health.

Recommendation: It is recommended that GPEB develop a gaming expansion strategy in consultation with stakeholders.

BACKGROUND:

Gaming Expansion and Availability

- In 1999, the government of the day announced its intention to end gaming expansion, and committed to:
 - A maximum of 22 casinos and 41 bingo halls permitted in the province;
 - A maximum of 300 slot machines and 30 table games per casino; and
 - Prohibition of VLTs (slot machines outside of casinos).
- When the government changed in 2001, the moratorium on slot machines and table games was lifted, but the policy to prohibit VLTs was maintained. Under the definition of a gaming facility in the *Gaming Control Act*, the British Columbia Lottery Corporation (BCLC) can only operate slot machines in purpose-built casinos and community gaming centres and online.¹
- No formal policy was established to limit the number of gaming facilities permitted, and the government took the position that BCLC, as the provincial gaming operator, should have responsibility for determining market capacity. BCLC has never expanded the number of gaming facilities beyond the limit of 22 casinos and 41 bingo halls or community gaming centres that was set in 1999.

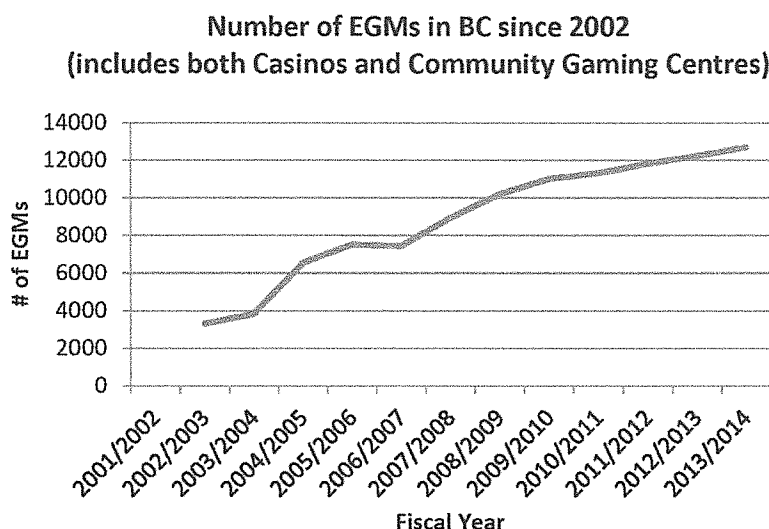
¹ BC and Ontario are the only two provinces in Canada that do not offer VLTs. Some provinces that began offering VLTs in the 1990s have since implemented policies to reduce the availability of VLTs (Nova Scotia, New Brunswick, and Quebec).

- In October 2005 a Ministerial Directive was issued to BCLC, giving the Corporation the discretion to locate and relocate gaming facilities for business reasons and to substantially change the type or extent of lottery schemes in gaming facilities in order to best meet market demand.² (See Appendix A for a copy of the directive.)
- Although the number of casinos in the province has remained relatively constant for more than a decade, gaming has expanded through community gaming centres, a significant increase in slot machines, and the introduction of online gaming. The table below shows the number of gaming facilities in BC since 1999.

Year	Casinos	Community Gaming Centres	Racetrack Gaming Centres	Bingo Halls
2014	18 (2 at racetracks and 1 pilot)	19	-	6
2013/14	17 (2 at racetracks)	19	-	6
2012/13	17 (2 at racetracks)	19	-	7
2011/12	17 (2 at racetracks)	17	-	10
2010/11	17 (2 at racetracks)	16	-	11
2009/10	17 (2 at racetracks)	15	-	13
2008/09	17 (2 at racetracks)	14	-	13
2007/08	15	12	2	15
2006/07	16	6	1	20
2005/06	18	5	1	24
2004/05	18	4	1	27
2003/04	19	-	1	32
2002/03	19	-	-	33
2001/02	18 (12 with slot machines)	-	-	37
2000/01	18 (10 with slot machines)	-	-	Information unavailable
1999/00	17 (9 with slot machines)	-	-	Information unavailable

- In 2004, government authorized BCLC to begin converting many bingo halls to community gaming centres. Community gaming centres are equivalent to bingo halls because they offer both bingo games and EGMs, which are slot machines and electronic table games. Community gaming centres are essentially casinos without live table games.
- The introduction of community gaming centres has contributed to a significant increase in the number of EGMs. There has been an increase from 3,304 EGMs in 2002 to 12,710 in 2013. The figure below shows the increase in EGMs over the last decade – a 385 per cent increase.

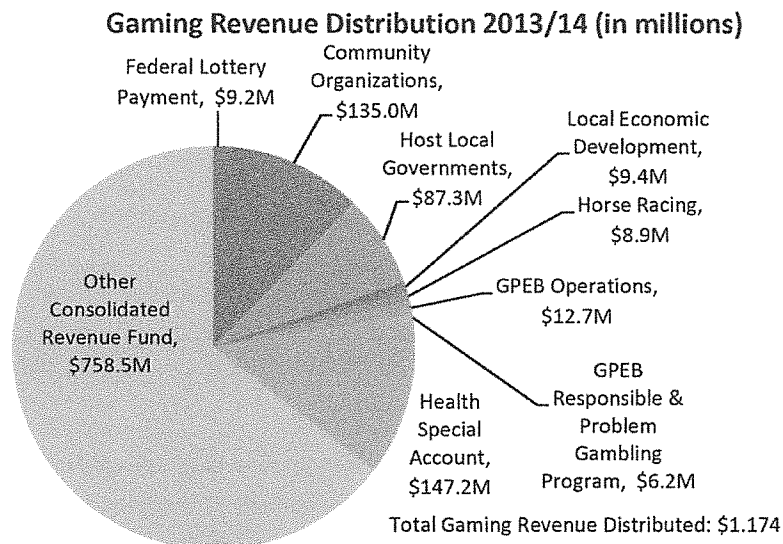
² The Minister has the authority to rescind or revise this directive.



- EGMs, including slot machines, generate the greatest amount of revenue and are among the most popular games played both in gaming facilities and online. However, EGMs are known to be higher risk than other gambling activities because of game features such as the speed of play and the illusion of control, which makes them particularly risky for problem gamblers.
- In 2004, the government approved the implementation of regulated, online gambling, and BCLC launched its *PlayNow.com* website that year. The website offers a range of games, including lottery games, SportsAction, eBingo, poker, table games, and slot machines that can be played on mobile devices.
- *PlayNow.com* continues to evolve as technology and market demand changes, and the online gaming platform represents an area of business growth for BCLC. BCLC has also expanded *PlayNow.com* to Manitoba and linked to online poker players in Quebec.
- In addition to gaming facilities and online gaming, BCLC also offers provincial and national lotteries such as LottoMax, Lotto 6/49, and Scratch & Win tickets, which are sold through a network of nearly 4,000 lottery retailers.

Gaming Revenue

- In 2013/14, commercial gaming, excluding horse racing, generated \$2.8 billion in revenue. After prize payouts and expenses, BCLC delivered \$1.174 billion in net revenue to the Province. The figure below shows the distribution of provincial government gaming revenue.



- Host local governments receive 10 per cent of revenue from gaming facilities located in their communities. This totalled \$87.3 million in 2013/14.
- The Province currently provides \$135 million in community gaming grants, but this amount has fluctuated over the past decade. In 2005/06, government committed to maintaining base-level funding for grant programs at \$137.1 million and to provide annual increases based on inflation. Funding for grants reached a high of \$156 million in 2008/09, but was reduced to \$113 million the following year.³ It was subsequently increased to \$135 million in 2010/11.
- Expansion of gaming opportunities in the province has resulted in consistently increased gaming revenue over the last ten years. Gaming revenue to the Province has increased from \$727.6 million in 2003/04 to \$1.174 billion in 2013/14.

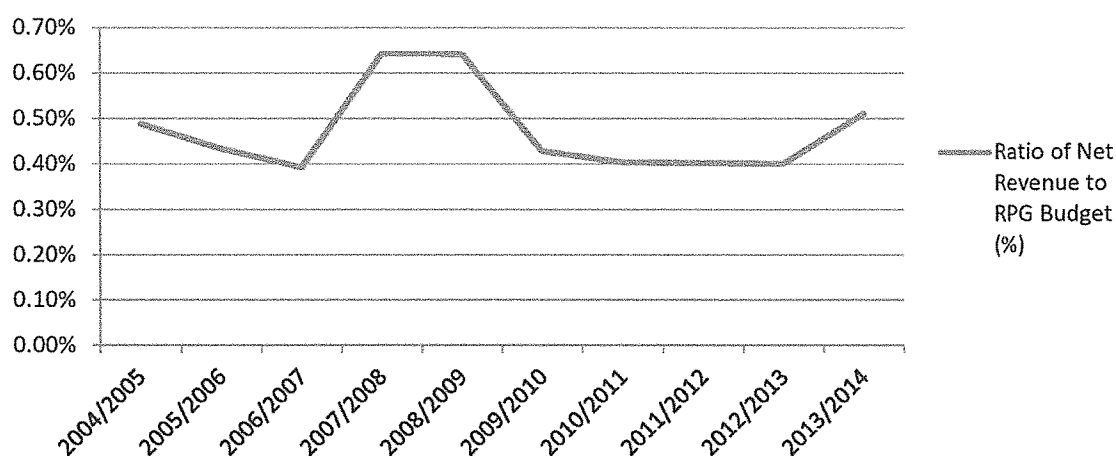
Responsible and Problem Gambling Program

- GPEB's Responsible and Problem Gambling Program provides British Columbians with free problem gambling prevention, outreach, crisis-counselling, and treatment services. Services include public education in schools and communities, staff in casinos that provide support to players, the Problem Gambling Help Line, and counselling and treatment services.
- The government has publically committed that counselling and treatment services for problem gambling will be available to everyone who needs them without waitlists.

³ The total amount distributed through the gaming grant programs was \$160 million in 2009/10 due to funding that was added for special one-time grants to cover several other programs that saw funding cut backs that year such as BC Arts Council programs.

- 2013/14 to cover the deficit and bring the program budget to its current level of \$6 million.
- BC commits the lowest ratio of net revenue to responsible and problem gambling services in Canada at just over half of one per cent (0.53 per cent). The figure below shows this ratio in BC over the last decade. BC also commits the second lowest per capita funding to responsible and problem gambling services in Canada at \$1.50. The national average is \$3.32.

Ratio of Net Gaming Revenue to Responsible & Problem Gambling



- BCLC also allocates \$3.5 million to responsible gambling initiatives. This funding is allocated to responsible gambling advertising, equipment, maintenance, and insurance costs at the responsible gambling kiosks in casinos, the licence plate recognition program, staff training, and staffing costs for BCLC headquarters staff. (BCLC's funding for responsible gambling is not included in the figure above showing the percentage ratio of net gaming revenue to responsible and problem gambling budget.)

Recent Expansion of Gaming through New Lottery Schemes

- Under the *Gaming Control Act*, the Minister has authority to issue written directives to BCLC regarding matters of general policy. Additionally, BCLC must seek the approval of the Minister before entering into the business of supplying operational services related to gaming to anyone or before implementing a new type of lottery scheme.
- There are a number of new gambling offerings that have either recently been approved for implementation or are currently under consideration: (See Appendix B for more detail on each initiative.)
 - Sports Novelty Betting on *PlayNow.com* (approved);

- Gaming Pilot on BC Ferries (under consideration);
 - Gaming at Vancouver International Airport (under consideration);
 - Single Sports Betting (vote scheduled in the Senate for September 17, 2014); and
 - 50/50 Raffle on *PlayNow.com* in Collaboration with Canucks for Kids Foundation (under consideration).
- In addition to new gambling offerings, government has recently made a decision to allow minors in pubs and bars until 10pm when food service is available. Five hundred and ten locations have been approved for the Family Foodservice Licence. Most of these establishments have self-service vending machines that sell pull tabs and other lottery products. Signage has been added to all of these machines to indicate that it is illegal to sell gaming products to minors; however, minors are now exposed to a wider scope of gaming activities.

Recent Expansion of Gaming through New and Expanded Gaming Facilities

- As a result of the Ministerial Directive from October 2005, BCLC has discretion to expand the number of gaming facilities in the province and to determine the size of these facilities and the number of games available. BCLC must seek approval from the host local government for the location or relocation of a gaming facility.
- There has recently been a number of gaming facility expansions and relocations approved by BCLC and host local governments. These include:
 - **Chances Fort St John** – In August 2014, the Chances Fort St. John community gaming centre began offering a limited number of table games, effectively converting the community gaming centre to a casino.
 - **Vernon Fairweather Bingo Hall** – BCLC has approved the relocation of Vernon's Fairweather Bingo Hall to a site on Adams Lake Indian Band land near Salmon Arm and the redevelopment of the bingo hall into a community gaming centre. The new centre is planned to open in May 2015.
 - **Kamloops Casino** – In August 2014, Kamloops City Council approved the relocation of the Lake City Casino. The current location has 301 slot machines and 6 table games. The new location will have up to 600 slot machines and 20 table games.
- BCLC has indicated that it plans to explore the expansion of new and existing facilities to host local governments following the municipal elections in October 2014.

- In addition to the location and relocation of facilities, BCLC has discretion to determine the distribution of lottery products. For example, in May 2012, BCLC began offering Lotto Express in Overwaitea Food Group stores. Lotto Express allows customers to use the PIN pad at cash registers to purchase Lotto 6/49, Lotto Max and Extra quick pick tickets. It is now available in 100 Overwaitea locations, 22 Buy-Low Food locations, and all 194 BC Liquor Stores.

DISCUSSION:

- The government has a 'social license' and public support to operate gaming because it uses revenue generated from gambling to support community organizations, local governments, and public services. Additionally, it invests in responsible and problem gambling programs, ensuring that individuals who may have gambling problems are able to receive the help they need.
- Gaming in BC has been steadily expanding over the last decade. The implications of continued expansion are likely to be:
 - Significant pressure from community organizations and members of the public to increase the amount of funding allocated to community organizations. Many community organizations have been highly vocal about the need to increase the proportion of gaming revenue for community gaming grants.
 - Pressure from host local governments to increase the proportion of gaming revenue returned to the local government.
 - Pressure from First Nations to improve access to gaming revenue and opportunities to operate gaming facilities. Some casinos and community gaming centres are on First Nations land, and the Band receives 10 per cent of revenue generated from facilities similar to all host local governments. However, although some Bands have applied to BCLC to open and operate new gaming facilities, there are currently no facilities operated by First Nations. Applications have not been accepted by BCLC because of its assessment of market demand.
 - An increase in the prevalence of problem gambling. Although BC's problem gambling prevalence rate has declined slightly according to the 2013 Problem Gambling Prevalence Study, BC still has the second highest problem gambling prevalence rate in Canada and there are still 125,000 individuals who are considered problem gamblers. If gaming continues to expand and services for problem gambling prevention, outreach, and treatment do not keep pace, there may be an increase in problem gambling. Problem gambling disproportionately affects some vulnerable populations, including low income individuals, Aboriginal people, and people with mental health and substance use issues.

SUMMARY OF KEY ISSUES:

- Although the number of casinos has not increased over the last 10 years, gaming in the province has expanded through the establishment of community gaming centres, a significant increase in the number of EGMs, and the implementation of online gambling.
- Government appears to be supportive of continued gaming expansion, and is currently considering establishing slot machines outside of casinos (BC Ferries and YVR), which would represent a significant shift in policy.
- If expansion continues, there are likely to be calls from community organizations, local governments, and First Nations to increase their share of gaming revenue. There may also be an increase in problem gambling prevalence if prevention and treatment services do not keep pace with expansion.
- There is currently no strategy or framework in place to guide decisions about gaming expansion and ensure a deliberate and planned approach is taken that carefully weighs the economic, social, health, heritage, and environmental impacts.

OPTIONS:***Option 1: Direct GPEB to Develop a Gaming Expansion Strategy***

GPEB would engage with stakeholders, such as BCLC and the Ministries of Health, Education, and Community Sport and Cultural Development, to develop a gaming expansion strategy.

Implications:

- Ensures that decisions about gaming expansion are made in a deliberate, planned, and coordinated way, taking into consideration a wide range of perspectives.
- Addresses one of the recommendations made in the Provincial Health Officer's Report on Gambling.

Option 2: Continue to expand gambling through decisions on a case-by-case basis**Implications:**

- There is no planned approach to gaming expansion.
- Limits government's ability to make decisions considering a wide range of perspectives.

RECOMMENDATION: Option 1

APPROVED / NOT APPROVED

Michael de Jong, Q.C.
Minister

Date

APPENDIX A: Ministerial Directive to BCLC – October 2005

The British Columbia Gazette – October 20, 2005

Page 1 of 1

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Victoria, British Columbia, Canada

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Volume CXLV, No. 42 October 20, 2005	The British Columbia Gazette Published by Authority
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DIRECTIVE TO BRITISH COLUMBIA LOTTERY CORPORATION

Minister of Public Safety and Solicitor General, directive to the British Columbia Lottery Corporation, section 6, *Gaming Control Act*.

This directive, issued pursuant to section 18 of the *Gaming Control Act*, authorizes the British Columbia Lottery Corporation in its discretion to:

- (a) Locate and relocate gaming facilities for business reasons, in accordance with provincial policy, the *Gaming Control Act*, and the Gaming Control Regulation, as they may be amended from time to time; and
- (b) Substantially change the type or extent of lottery schemes in gaming facilities in order to best meet marketplace demand, in accordance with provincial policy, the *Gaming Control Act*, and the Gaming Control Regulation, as they may be amended from time to time.

Dated this October 6, 2005. — John Les, *Minister of Public Safety and Solicitor General*. [oc20]

APPENDIX B: New Gambling Offerings

- ***Sports Novelty Betting*** – the Minister recently approved a proposal from BCLC to offer a range of novelty bets on *PlayNow.com*. Novelty bets are entertainment style wagers that are not based on the outcome of a sporting event, race, fight, or athletic contest. An example of this type of bet is ‘Will Josh Gordon continue to play for the Cleveland Browns after his suspension is lifted?’
- ***Gaming Pilot on BC Ferries*** – In February 2014, the Minister of Transportation and Infrastructure announced that the Province would be pursuing a gaming pilot on one of BC Ferries’ major routes. Additional revenues would be directed to reduce pressure on future fare increases. BCLC and BC Ferries have recently completed a review to assess the viability of this proposal and provided a report to GPEB and the Ministry of Transportation and Infrastructure. The proposal is currently being reviewed by GPEB and Ministry of Transportation staff.
- ***Gaming at Vancouver International Airport*** – In June 2014, GPEB was asked to assess the possibility of placing slot machines in the Vancouver International Airport. This proposal is currently under consideration by the Minister.
- ***Single Sports Betting*** – A federal Private Member’s Bill S-290, *An Act to amend the Criminal Code (sports betting)* is scheduled to be voted on in the Senate on September 17, 2014. The proposal is to amend the *Code* to authorize provinces to conduct lottery schemes involving a bet on a single sporting event. Currently, the *Code* only permits betting on a multiple of sporting events. BC has support this change for several years, and has communicated this support to the federal government. BCLC considers single sports betting to be a significant revenue opportunity, and if these *Criminal Code* amendments are made, BCLC will put forward a proposal seeking Ministerial approval to offer this type of scheme
- ***50/50 Raffle on PlayNow.com in Collaboration with Canucks for Kids Foundation (CFKF)*** – In August 2014, BCLC submitted a proposal to GPEB to seek Ministerial approval to enter into an agreement with CFKF to licence the CFKF name to offer a 50/50 raffle on *PlayNow.com* during Canucks games. Revenue from the raffle would be distributed as follows: 50 per cent as prize, 40 per cent to CFKF as a licencing fee, and 10 per cent to BCLC. Players would be required to establish a *PlayNow.com* account in order to participate in the raffle, and BCLC anticipates that 75 per cent of those who buy a 50/50 ticket will play other games on the website, thus generating new revenue for BCLC.

This is Exhibit "H" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1

Lower the Stakes

A Public Health Approach to Gambling in British Columbia



Copies of this report are available from:

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BC Ministry of Health
4th Floor, 1515 Blanshard Street
Victoria, BC
V8W 3C8
Telephone: (250) 952-1330
Facsimile: (250) 952-1362

and electronically (in a .pdf file) from:
www.health.gov.bc.ca/pho

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Lower the Stakes: A Public Health Approach to Gambling in British Columbia.
Provincial Health Officer's 2009 Annual Report.
Victoria, BC: Ministry of Health.

Lower the Stakes

*A Public Health Approach
to Gambling in British Columbia*



Ministry of Health
Victoria, BC

October 1, 2013

The Honourable Terry Lake
Minister of Health

Sir:

I have the honour of submitting the Provincial Health Officer's Annual Report for 2009.

A handwritten signature in black ink, appearing to read 'P.R.W. Kendall', written over a horizontal line.

P.R.W. Kendall
OBC, MBBS, MHSc, FRCPC
Provincial Health Officer

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Acknowledgements

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Under Section 66 of the *Public Health Act*, the Provincial Health Officer has the authority and responsibility to monitor the health of the population of BC, and to provide independent advice on public health issues and the need for legislation, policies, and practices respecting those issues. The Provincial Health Officer is required to report annually to the Minister of Health on the health of the population of BC. Some annual reports provide a broad overview of health status, while others focus on specific topics. Other recent annual reports have focused on air quality, diabetes, food, injection drug use, Aboriginal health, and women's health.

Executive Summary

This Provincial Health Officer's annual report examines gambling in BC using a comprehensive public health approach. A public health approach considers preventive interventions, health promotion, health protection, and assessment and surveillance, and addresses issues related to quality of life for all members of the community. In applying such an approach, this report acknowledges and incorporates the health, social, and economic dimensions of gambling. It reviews the history of gambling in Canada and BC, describes current gambling policies and programs in BC, and examines evidence-based strategies to minimize the negative effects of gambling while optimizing the potential benefits.

In 1985, provincial governments in Canada obtained the exclusive right to conduct and manage legalized gambling. Like other provinces, BC has used this authority to greatly expand the scope and scale of gambling over time. This has included expansion of the availability of casinos and electronic gaming machines (EGMs), and the launch and subsequent expansion of the provincial gambling website PlayNow.com. Since the economic benefits of gambling are often easier to measure and compare than negative social impacts it is understandable that a bias toward increasing the availability of gambling over time could emerge in policy decisions.

By 2003, government revenue from gaming in Canada had exceeded revenue from both alcohol and tobacco combined. In

BC, net government revenue from gaming has increased substantially over time, from approximately \$510 million in 2002/2003 to \$889 million in 2010/2011. In 2011/2012, BC received 2.70 per cent of its total provincial revenue from gaming, which was more than the Canadian provincial average of 2.30 per cent; however, BC earned slightly less revenue per capita age 18 and up than the Canadian provincial average in the same year (\$552 compared to \$557).

Despite these moderate to high levels of revenue from gaming, in 2011/2012, BC distributed the smallest amount of gaming revenue to responsible gaming and problem gambling initiatives among reporting provinces—including percentage of gaming revenue (0.51 per cent compared to the average of 1.45 per cent)—and the smallest amount per capita age 18 and up (\$1.50 compared to the average of \$3.59). While total revenue from gaming has increased in BC, overall gambling participation in BC has decreased. This suggests that more revenue is being drawn from fewer individual gamblers.

According to the 2007 British Columbia Problem Gambling Prevalence Study, the majority of British Columbians have participated in gambling, and most gambled for the first time by the age of 20. While most people reported that they gamble for fun or to socialize, many also reported that they participate for monetary gain. Males and adults age 55 and up were more likely to gamble frequently. Lottery games and slot machines were the most popular gambling activities reported.

Although the majority of gamblers engage in legalized gambling as a harmless form of entertainment, a small minority will experience severe and persistent problems related to their gambling. Among British Columbians surveyed in 2007, approximately 27 per cent were non-gamblers, 60 per cent were non-problem gamblers, and another 9 per cent were low-risk gamblers. A combined total of 4.6 per cent (representing approximately 159,000 people in BC) were moderate-risk and problem gamblers. Hospitalization discharge data for individuals with a problem gambling diagnosis show that overall, males account for 65 per cent of problem gambling cases. The age range with the highest prevalence counts for these cases varies by sex (35 to 44 years for males and 45 to 54 for females).

Currently, the estimated prevalence rate for problem gambling in the BC adult population is relatively low; however, it has been increasing and needs to be carefully monitored. Between 2002 and 2007, the percentage of problem gamblers increased 125 per cent, from 0.4 per cent of the population age 18 and up, to 0.9 per cent. This is likely related to the introduction of new and expanded gambling opportunities in BC. Recent policy changes have led to expanded access to games that evidence shows are higher risk, or more problematic; for example, the number of EGMs per 100,000 population age 18 and up increased by over 200 per cent from 2002/2003 to 2011/2012. From a public health perspective, expanding access to more problematic forms of gambling such as EGMs is counterproductive.

Hospitalization discharge data for BC indicate that hospitalized individuals with a problem gambling diagnosis suffer from a serious burden of mental health problems. Problem gambling cases are significantly more likely than non-cases to be hospitalized with conditions related to mental illness or problematic substance use, as well as other

health conditions. Administrative data for 2010/2011 health care costs show that, on average, problem gamblers incur more than four times the medical-related expenses than patients who are not diagnosed with this condition (an average excess medical cost of \$6,862 per problem gambler per year). Additionally, problem gambling has implications for families and communities; for example, overall, people with lower incomes spend a higher proportion of household income on gambling.

In both BC and Canada, the most common responses to mitigate gambling harms, as with other potentially harmful behaviours, have focused on individual education, corporate social responsibility, and treatment services. However, evidence shows that education campaigns and social responsibility messaging alone are not effective at reducing the harms and costs associated with harmful behaviours. Nevertheless, the BC government deserves recognition for implementing various problem gambling prevention and treatment programs (such as the Voluntary Self-Exclusion Program, the Discovery Program, and the Problem Gambling Help Line). This report presents estimated levels of effectiveness of problem gambling prevention initiatives, and identifies opportunities for adding or revising programs in BC, since some of the programs and policies in BC are not supported by evidence, while other policies that have demonstrated “moderate” or “moderately high” effectiveness are not yet used.

This report concludes with 17 recommendations related to the public health themes of preventive interventions, health promotion, health protection, and assessment and surveillance. They identify specific actions that can be taken in BC to build individual resilience and community capacity, decrease risks to the most vulnerable populations, and improve the responsiveness of the system to emerging problems, with the overall goal of balancing the known negative impacts of gambling with its potential benefits.

Chapter 1

Introduction

This Provincial Health Officer's annual report examines gambling policy in BC from a public health perspective and provides recommendations for reducing the harms associated with problem gambling. This report discusses social and economic impacts of gambling and the history of gambling policy in Canada and BC, introduces a comprehensive public health framework for understanding gambling, and explores gambling trends in Canada and BC.

Exploration of these trends includes a review of indicators related to gambling, problem gambling, and revenue from gaming for Canada and BC.^a This report then reviews best practices for preventing and treating problem gambling, and uses this information to assess responsible and problem gambling initiatives in BC. The final chapter discusses the key findings of this review and offers recommendations for policies, programs, and research in BC with the goal of reducing the harms and costs associated with gambling.

Why a Report about Gambling?

In 1985, the federal government gave provincial governments in Canada exclusive rights to conduct and manage legalized gambling in their jurisdictions. This is similar to the approach used to manage beverage alcohol sales. Provinces have used this exclusive authority to expand the availability of gambling. In fact, by 2003, government revenue from gaming

had exceeded revenue from both alcohol and tobacco combined.¹ While this arrangement has its benefits, including raising government revenue and minimizing the role of organized crime in gambling, it also creates a potential conflict of interest where the needs for revenue generation and economic development may compete with responsibilities for health and safety.

Although the majority of gamblers engage in legalized gambling as a harmless form of entertainment, a small minority will experience severe and persistent problems related to their gambling, such as bankruptcy, job loss, marital breakdown, and even suicide. The costs of problem gambling fall primarily on individuals and their families. As a result, justifying public policy responses to address this issue may be more difficult than is the case with social problems where costs are predominantly public. However, the BC government states that one of its primary goals with regard to gambling is to “deliver gambling in a manner that encourages responsible gambling and informed choice.”²

Research demonstrates that government policies can have strong influences, both positive and negative, on gambling-related harms and costs. More specifically, government policies related to the supply and accessibility of gambling impact rates of problem gambling, because when new forms of gambling are introduced, the prevalence of

“ Having exclusive rights to conduct and manage legalized gambling has benefits for provinces, but also creates a potential conflict of interest where the needs for revenue generation and economic development may compete with responsibilities for health and safety.”

^a In general, this report uses the term “gambling” to refer to individual behaviours (e.g., responsible and problem gambling), and “gaming” to refer to industry (e.g., gaming venues, gaming revenue); however, these terms are often used interchangeably in the literature, and this report follows the usage of the sources cited.

both gambling and problem gambling typically increases, at least initially.^{3,4,5,6} Evidence also shows that certain forms of gambling (e.g., electronic gaming machines and Internet gambling) may be more conducive to problem gambling than other forms (e.g., bingo and lottery tickets), making expansion of some forms of gambling an added risk for the population.⁷

Utilizing a public health perspective enables the examination of the health, social, and economic dimensions of problem gambling, and the pursuit of strategies that balance the potential negative effects of gambling with the potential benefits. This approach will be discussed further in Chapter 3.

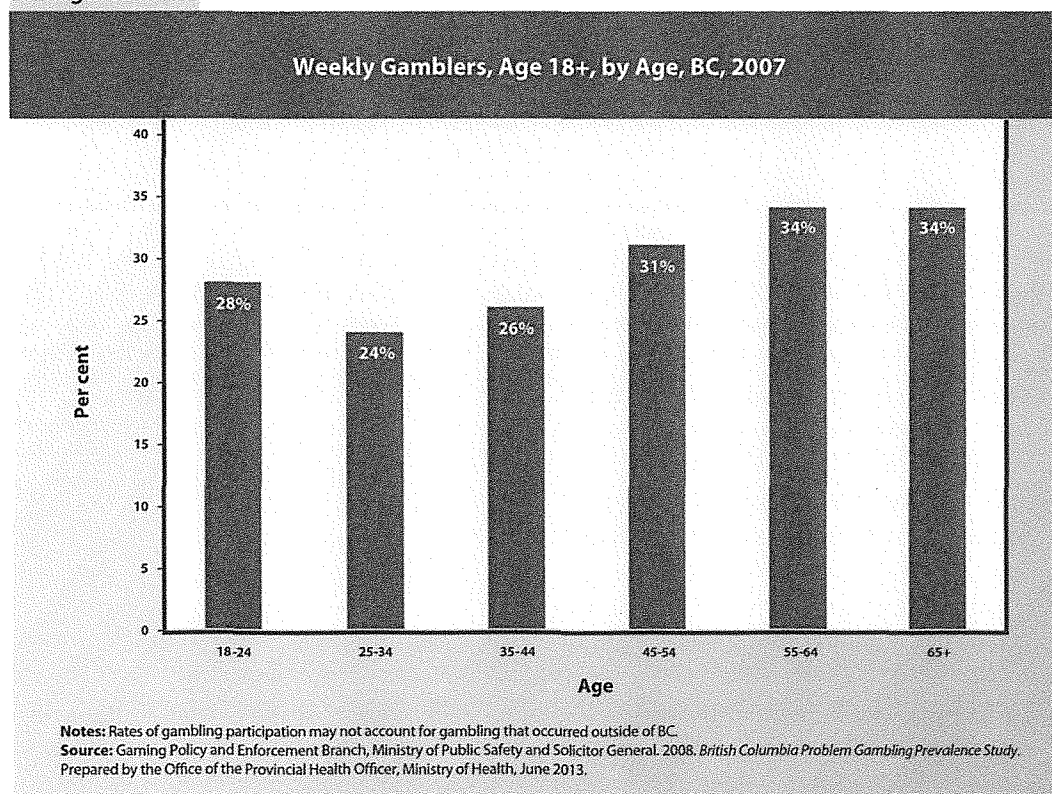
Profile of Gamblers in BC

According to the 2007 British Columbia Problem Gambling Prevalence Study, the majority of British Columbians (73 per cent) bet or spent money on at least one gambling

activity during the preceding 12 months. Most people in BC gambled for the first time when they were relatively young, with 38 per cent of respondents reporting gambling for the first time before their 19th birthday, and another 20 per cent starting by age 20.

As shown in Figure 1.1, in 2007, British Columbians age 55–64 and 65 and up were the most likely to gamble on a weekly basis. Males gambled more frequently, with 33 per cent reporting gambling weekly compared to 26 per cent of females.⁸ Among those who gambled in BC, the majority did not travel far: 67 per cent travelled 5 km or less to participate in their favourite gambling activity. Lottery games were the favourite gambling activity in BC (32 per cent), followed by slot machines (9 per cent). Most people reported that they gambled “because it’s fun” (58 per cent), or to “socialize with friends or family” (53 per cent); however, many people also reported participating “to win money” (38 per cent).

Figure 1.1



Evaluation of public attitudes about gambling in BC showed that many British Columbians believe that legalized gambling has a bad or very bad effect on society (43 per cent combined) or think it has an equally good and bad effect (45 per cent). Only 10 per cent believe that legalized gambling has a good or very good effect on society. More than one in ten people surveyed (13 per cent) reported that gambling is a serious problem in their community, while 55 per cent indicated it is not a serious problem, 24 per cent were neutral, and 8 per cent were undecided.⁸

Understanding Problem Gambling in BC

The two most frequently used terms to describe potentially harmful gambling behaviour are “problem gambling” and “pathological gambling.” “Problem gambling” is the term most commonly used throughout

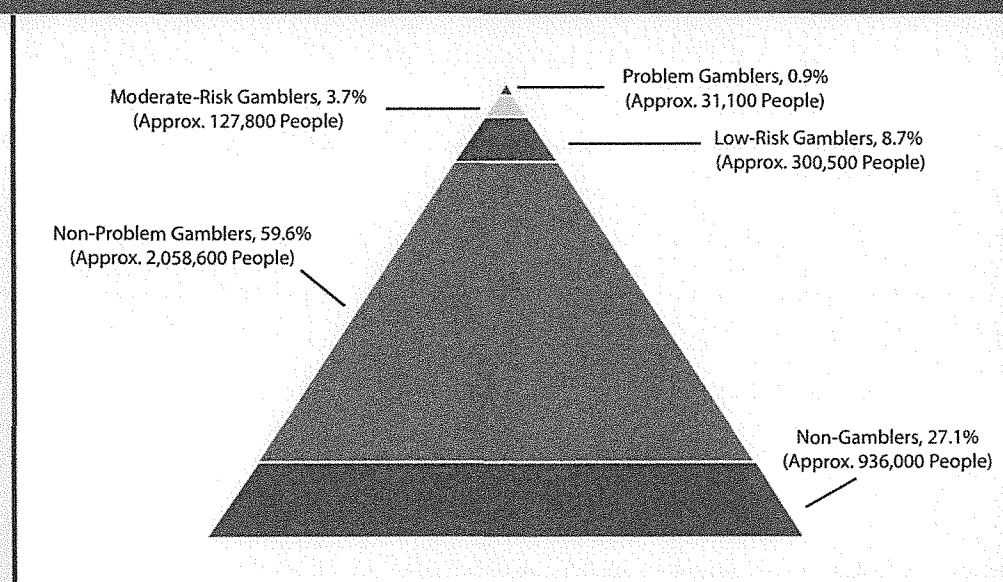
this report, as per the Canadian Problem Gambling Index. “Moderate-risk” or “moderate problem gambling” is often included in the category of problem gambling (for more information, see sidebar “*Problem*” and “*Pathological*” Gambling).

Figure 1.2 shows that approximately 70 per cent of British Columbians surveyed are considered non-problem gamblers or low-risk gamblers, and just over one-quarter do not gamble at all. Those experiencing the greatest problems associated with gambling are those at the top of the triangle, representing a relatively small number of individuals (0.9 per cent for problem gamblers, 3.7 per cent for moderate-risk gamblers).

According to the BC Problem Gambling Prevalence Study, the age groups with the highest estimate of total problem gambling are 25–34 (6.8 per cent) and 18–24 (6.3 per cent), while all other age categories are under 4.5 per cent. In addition, men are more likely to be problem gamblers than

Figure 1.2

Estimated Problem Gambling Prevalence, Age 18+, BC, 2007



Note: Rates of gambling participation may not account for gambling that occurred outside of BC. Levels of problem gambling are derived from the Canadian Problem Gambling Index. Population numbers are approximate and based on BC Stats 2007 population estimates of people age 18+.

Source: Canadian Partnership for Responsible Gambling. 2010. *Canadian Gambling Digest 2008-2009*; and BC Stats. 2007. *Population Estimates: Population by Age and Sex (Total BC Population Aged 18-90+)*; cited 2013 Jun 21. Available from: <http://www.bcstats.gov.bc.ca/StatisticsBySubject/Demography/PopulationEstimates.aspx>

women (5.5 per cent compared to 3.7 per cent). Among males, those aged 18–34 have the highest level of problem gambling at 10.5 per cent, while female levels do not differ markedly across age groups. Unemployed British Columbians have the highest rate of problem gambling, at 9.6 per cent (moderate-risk and severe problem gambling), while education and household income levels do not appear to have a relationship with problem gambling levels.⁸

The BC Problem Gambling Prevalence Study also reported that while 38 per cent of British Columbians believe there are problem gambling services available in their community, 46 per cent believe there are not, and 16 per cent do not know. However, 71 per cent of British Columbians say they would be likely to use the problem gambling services provided by the BC government if they ever experienced problems related to gambling (23 per cent said they would be unlikely to use the services).⁸

Understanding Pathological Gambling as an Addiction

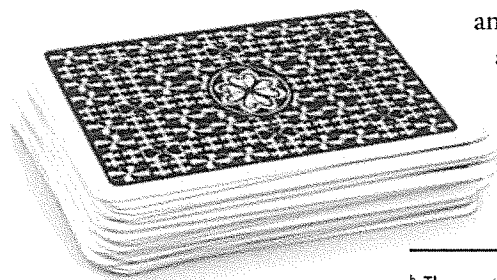
Research has not yet revealed exactly what makes some individuals develop problems with gambling, while others can gamble without any issues. The American Psychiatric Association's *Diagnostic and Statistical Manual of Mental Disorders* (DSM)^b recently reclassified pathological gambling from an impulse control disorder to an addictive disorder, reflecting the fact that it shares characteristics with drug addiction, including the likelihood of multiple unsuccessful attempts to quit, interference with major areas of life (e.g., family, employment), and withdrawal symptoms. As with substance use,⁹ gambling behaviour occurs on a spectrum.¹⁰ For most people, gambling behaviour is

not problematic, but for some, the behaviour can result in significant harms.

The differences in brain activity and neurotransmitters between non-problem gamblers and problem gamblers are still being explored. However, evidence appears to support increased levels of neurotransmitters that create arousal and lower levels of neurotransmitters related to impulse control in those with gambling control issues.¹¹ As discussed later in this report, problem gambling and pathological gambling are often associated with other mental health issues. Substance dependence and mental illness share a biological basis,¹² which may provide an explanation as to why problem gambling and pathological gambling are often associated with other mental health issues.

Sources of Data

Data for this report are drawn from a number of sources. The majority of data on gambling activities, government revenue, and responses to problem gambling come from the Canadian Gambling Digest. This digest is published annually by the Responsible Gambling Council for the Canadian Partnership for Responsible Gambling, and is available at www.cprg.ca/digest.cfm. BC Ministry of Health administrative datasets provided relevant health information, such as medical costs, and mental health and hospitalization data. These datasets included Discharge Abstract Database hospital data, Medical Services Plan data for physician billing, PharmaNet drug dispensing and claims records, registration and premium billing information, and Client Registry. Other significant sources included the BC Gaming Policy and Enforcement Branch (gambling and problem gambling prevalence data) and the BC Lottery Corporation (financial reports and gambling prevention information, including data from the Voluntary Self-Exclusion Program).



^b The most recent editions of the DSM are commonly referred to as DSM-IV (2004) and DSM-5 (2013).

"Problem" and "Pathological" Gambling

The terms “problem gambling” and “pathological gambling” are often used interchangeably, but some sources distinguish between the two.³³ For example, the “problem gambling group” in the Canadian Problem Gambling Index (CPGI) “is equivalent to the DSM-IV’s diagnostic criteria for pathological gambling.”¹⁰ Terms such as “compulsive,” “disordered,” “high-risk,” and “severe problem gambling” may also be used to refer to problem and/or pathological gambling.

The CPGI is used to research problem gambling in the general population and defines **problem gambling** as “gambling behaviour that creates negative consequences for the gambler, others in his or her social network, or the community” (see sidebar *Canadian Problem Gambling Index Levels* in Chapter 4).¹⁰

According to the fourth edition of the American Psychiatric Association’s *Diagnostic and Statistical Manual of Mental Disorders* (DSM-IV), **pathological gambling** is “persistent and recurrent maladaptive gambling behaviour that disrupts personal, family or vocational pursuits,” which cannot be better explained by a manic episode.^{33,34} The fifth edition (DSM-5), published in 2013, changed the diagnosis from “pathological gambling” to “gambling disorder.” This diagnosis, which formerly required a person to meet at least five of 10 diagnostic criteria, now requires that at least four of the following nine (revised) criteria be met within a 12-month period.^{35,36}

1. Is often preoccupied with gambling (e.g., preoccupied with reliving past gambling experiences, handicapping or planning the next venture, or thinking of ways to get money with which to gamble).
2. Needs to gamble with increasing amounts of money in order to achieve the desired excitement.
3. Repeated, unsuccessful efforts to control, cut back, or stop gambling.
4. Restless or irritable when attempting to cut down or stop gambling (withdrawal symptoms).
5. Gambles when feeling distressed.
6. After losing money gambling, often returns another day to get even (“chasing” one’s losses).
7. Lies to family members, therapist, or others to conceal the extent of involvement with gambling.
8. Has jeopardized or lost a significant relationship, job, education, or career opportunity because of gambling.
9. Relies on others to provide money to relieve a desperate financial situation caused by gambling.³⁵

Since the American Psychiatric Association first recognized “pathological gambling” as a legitimate diagnosis in 1980, at least 25 screening instruments have been developed to identify problem and pathological gambling behaviours.³⁶ In addition to the American Psychiatric Association diagnostic criteria provided above, instruments include the CPGI, the Gamblers Anonymous “20 questions” self-screening tool, and the South Oaks Gambling Screen.

The South Oaks Gambling Screen is a three-page questionnaire that has been widely used to evaluate pathological gambling addiction. It was developed in the United States based on the DSM.^{64,65} However, because of the tool’s limitations (e.g., the possibility of bias), it has become less frequently used in Canada.^{66,67}

Chapter 2

Gambling in Canada and BC

Gambling in Canada has been characterized as a “national pastime,” with the majority of the adult population engaging in some form of legalized gambling on at least an occasional basis.¹³ Government and charity revenue from all forms of gambling in Canada are approximately \$15 billion per year.^{c,14} There are several major forms of gambling conducted in Canada, including

- Casino-based table gambling and electronic gaming machines (EGMs) such as slot machines.
- Non-casino EGMs, including slot machines at racetracks and community gaming centres, and video lottery terminals (VLTs) in bars and pubs.^{d,15}
- Provincial, regional, and national lotteries and sweepstakes.
- Charity and community-run games (mainly bingo, raffles, and pull-tab tickets).
- Wagering on horse racing.
- Internet-based gaming of various types.

Social and Economic Impacts of Gambling

Gambling involves a host of social (non-monetary) and economic (monetary) effects, which makes traditional cost-benefit

analyses difficult to apply. For this reason, Canadian researchers Williams, Rehm, and Stevens⁷ argue that it is more appropriate to investigate the social and economic *impacts* of gambling, because this allows for the systematic comparison of the positive and negative aspects of both the social and economic impacts of gambling. The comprehensive impact analyses envisioned by Williams et al. are seen as an improvement over traditional cost-benefit analyses of gambling, because analyzing impacts does not require social (non-monetary) impacts to be converted into monetary terms. This type of conversion can lead to serious over- or under-estimations of value depending on the perspective and approach taken by those conducting the analysis.⁷

After conducting a comprehensive review of the published and grey literature on the potential impacts of gambling, Williams et al.⁷ concluded that the most consistent economic impacts across all forms of gambling are

- Increased government revenue.
- Increased public services.
- Increased regulatory costs.
- Impacts on non-gambling businesses that are either positive (e.g., increase in business in adjacent hotels and restaurants) or negative (e.g., increase in competition for spending on entertainment).



^c Revenue reported is after prizes have been paid but before operating expenses have been deducted.

^d According to BC's Gaming Policy and Enforcement Branch, the only difference between slot machines and VLTs is location. The term “slot machine” refers to machines in traditional gaming facilities like casinos, while “VLT” refers to machines in other locations, such as bars and pubs. VLTs are not permitted in bars and pubs in BC.



The most consistent social impacts across all forms of gambling are

- Increased problem gambling and associated harms (e.g., bankruptcy, divorce, suicide).
- Increased crime.^{c,7}
- Increased socio-economic inequality (e.g., among people who gamble, those with lower incomes spend higher proportions of their income on gambling than those with higher incomes and therefore may have less to spend on other goods and services; this is discussed further in Chapter 3).⁷
- More negative attitudes toward gambling.

Williams et al. use a social and economic impact framework to catalogue the usual impacts of different forms of gambling. These impacts range from large and positive (+4) to large and negative (-4). However, as shown in Table 2.1, gambling-related impacts have been assessed only as high as +3 and as low as -2, with casino gambling and EGMs usually producing both the highest government revenue and the highest social costs.

The variability in observed social and economic impacts shown in Table 2.1 is based largely on the influence of numerous contextual factors associated with gambling. These include

- The magnitude of the change in gambling availability. For example, one additional gaming facility in a large city with existing casinos would have less of an impact than the first gaming establishment in a small community.
- The length of time that gambling has been legally available in the jurisdiction prior to the introduction of additional or new forms of gambling. Many of the negative social impacts of gambling are most apparent in populations with limited prior exposure to gambling.
- The type and extent of gaming facilities in nearby communities, since new gaming opportunities will likely attract visitors from other jurisdictions if such opportunities are not available elsewhere.
- The type of game that is being introduced, as impacts vary by gaming type.
- Whether gaming revenue comes predominantly from the community or from visitors.

^c Introduction of legal gambling may reduce rates of illegal gambling, but can also increase crime due to more problem gamblers in a population, which may elevate rates of property crimes committed to support problem gambling. Gambling may also create more opportunities for citizens to engage in illegal activities (e.g., passing counterfeit money, money laundering, cheating-at-play), and contribute to rates of alcohol-related offences due to increased opportunities to consume alcohol at gaming facilities. Introduction of gaming venues also increases the number of visitors to an area, which may result in more crime.

Table 2.1

Summary of the Usual Effects of Gambling, by Game Type					
<i>Economic Impacts</i>	Casino Gambling	EGMs	Lotteries	Internet Gambling	Horse Racing
Government Revenue	+2 to +3	+2 to +3	+2 to +3	+1	+1
Public Services	+2	+2	+2	0 to +1	0 to +1
Regulatory Costs	+1	+1	+1 to +2	+1	+1
Infrastructure Value	+1	0	0	0	+1
Infrastructure Costs	+1	0	0	0	+1
Business Starts/ Business Revenue	-1 to +2	-1	-1	0	0 to +1
Business Failures	0 to +1	+1	+1	0	0
Personal Income	0 to +2	0	0	0	0
Property Values	0 to +1	0	0	0	0
<i>Social Impacts</i>	Casino Gambling	EGMs	Lotteries	Internet Gambling	Horse Racing
Problem Gambling and Related Indices	+1 to +2	+1 to +2	0 to +1	+1 to +2	+1
Crime	+1 to +2	+1	-1 to 0	+1	0 to +1
Employment	0 to +2	-1 to 0	0	0	+1
Socio-Economic Inequality	+1	+1	+1	0	+1
Leisure Activity	0	0	+1	0	0
Public Attitudes	-2 to -1	-2	+1	-2 to -1	-1
Quality of Life/Public Health/ Social Capital	-1 to +1	-1 to 0	0	0	0

Note: EGMs = electronic gaming machines. Possible impacts range from -4 to +4.

Source: Williams R, Rehm J, Stevens R. 2011. The Social and Economic Impacts of Gambling (p. 64).

- The strength of policies and educational programs to address the potential negative effects of gambling.
- The socio-economic status of the community, as new revenue in areas with low socio-economic status is likely to have a larger impact on the local general economy.
- Whether the impacts are being examined at a community-specific level, or whether regional impacts are also taken into account. Community-specific impacts are much more likely to be positive, but region-wide benefits are rarer.
- Time period included in evaluation of impacts. For example, some impacts will take longer to appear than others, and therefore might not be included in a short-term evaluation.
- How gaming revenue is ultimately distributed in the community.⁷

The social and economic effects of gambling also vary according to where gaming facilities are located and, in particular, who is participating in the gaming. According to Faludi and Rutsey,¹⁶

There is great advantage to placing legal gaming in a tourist destination. The economic function of casinos becomes a more dubious proposition, however, when the primary market is the local population. In such cases, the transfer of income and assets benefits the local casino at the expense of local residents. It is one thing to redistribute income to a local economy from outside sources, and quite another to redistribute income within a local, urban economy. The former promotes business and public revenue generation which will be put to other productive uses. The latter simply redistributes and rearranges revenue and income, sometimes disproportionately, without expanding the local economic base.

To summarize, while the social and economic effects of gambling are variable and dependent on a variety of factors, “in most jurisdictions, in most time periods, the impacts of gambling are mixed, with a range of mild positive economic impacts offset by a range of mild... negative social impacts.”^{17(p.66)} The monetary benefits from gambling are often easier to measure and compare than the negative social effects; thus, it is understandable that a bias toward increasing the availability of gambling over time could emerge in policy decisions.

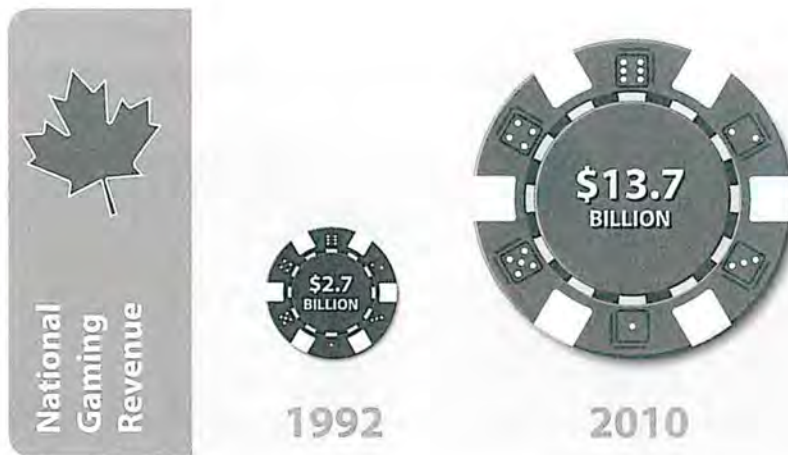
“The monetary benefits from gambling are often easier to measure and compare than the negative social effects; thus, it is understandable that a bias toward increasing the availability of gambling over time could emerge in policy decisions.”

History of Gambling Policy in Canada

Canada’s first *Criminal Code* outlawed all forms of gambling in 1892, during a time when the activity was largely considered a moral vice and a threat to the capitalist work ethic.¹⁷ Canada legalized gambling for charitable purposes in 1900 with amendments to the *Criminal Code*.¹⁸ The federal government made other minor changes to gambling policy over the next several decades, mainly to accommodate requests to expand regulated forms of small-scale gambling for charitable purposes. These included legalizing lottery schemes¹⁹ in 1906, legalizing on-track horse betting in 1910, and allowing agricultural fairs to conduct games of chance at annual fairs and exhibitions in 1925.²⁰

Although there were calls to expand legalized gaming (mainly lotteries) in the 1950s and 1960s, it was not until 1969 that the *Criminal Code* was amended to give federal and provincial governments the legal right to conduct large-scale lotteries and sweepstakes. The 1969 amendments can be attributed to actions by the Government of Quebec and the City of Montreal based on the need for significant non-tax revenues to pay for the deficits associated with the 1967 World’s Fair and anticipated deficits from the 1976 Olympics.¹⁸ The 1969 federal policy changes effectively transformed Canadian policy on gambling from an approach based largely on federal prohibition to an approach based on provincial operation and regulation of gambling.¹⁸ Although there have been other significant changes to federal gambling policy since the late 1960s—including giving provinces exclusive legal control over gambling, and legalizing computer, video, and slot machine gaming devices (both in the mid-1980s)—the 1969 *Criminal Code* amendments are widely regarded as

¹⁷ The *Criminal Code* definition of “lottery scheme” is “a game or any proposal, scheme, plan, means, device, contrivance or operation... whether or not it involves betting, pool selling or a pool system of betting.” This definition specifically excludes certain games and activities, such as three-card monte, punch boards, and coin tables; bookmaking, pool selling, or making or recording bets on a race, fight, single sport event or athletic contest; computerized and video gaming and slot machines; and dice games.



one of the most important policy changes facilitating the substantial increase in gambling over the last 40 years.²¹

Besides shifting from prohibition to regulation and from federal to provincial control, the evolution of gambling in Canada has also been characterized by two other major themes.²¹ First, there has been a continued escalation of new gambling products, with an emphasis on fast-paced, non-skill-based electronic games such as slot machines. Second, gambling-related policies, including decisions on the expansion of gambling types and gambling availability, have been debated by stakeholders with competing interests and perspectives, and varying levels of decision-making authority.

The continued growth of the gaming industry in Canada over the past 15 years can be attributed mostly to the expansion of casino facilities and especially EGMs (i.e., slot machines and VLTs), both inside and outside casinos.²² Following the expansion of legalized gambling across Canada in the 1980s, government revenue from gaming has increased significantly: there has been a five-fold increase in revenue between 1992 and 2010, from \$2.7 billion to \$13.7 billion. Gaming revenue currently accounts for 2.3 per cent of all revenue across the provinces.^{14,23}

History of Gambling Policy in BC

Gambling in BC has evolved and grown considerably since the 1969 *Criminal Code* amendments. For more information on the history provided in this section, see Appendix A - Timeline of Gambling in Canada with a Focus on BC. The evolution of gambling in BC has been determined largely by interactions between four stakeholders:

1. The provincial government, which has been both the main proponent of gambling expansion and the biggest recipient of increased revenue.
2. Municipal governments, which have at times opposed the expansion of gambling due to concerns about potential negative social and economic effects at the local level.
3. Private gambling operators, who have lobbied for the expansion of gambling over time.
4. Ad hoc and permanent coalitions of charitable organizations, many of which rely on gambling as a primary source of revenue.^{8,18} Such organizations have at various times been in conflict with the provincial government over the management of gambling and the allocation of revenue.

⁹ While not all charitable organizations in BC support or accept gambling as a revenue stream, a considerable number do: 90 per cent of the 818 non-profit organizations that submitted briefs to a 1992 BC government gaming review were in favour of "maintaining or enhancing charitable gambling."

More recent stakeholders include non-governmental organizations and academic researchers.

The history of gambling policy in BC can be divided into three major periods: (1) early lotteries and the expansion of charitable gambling (1970–1986); (2) provincial efforts to restructure gambling (1987–1999); and (3) creation and implementation of the provincial *Gaming Control Act* (2000–present).



Early Lotteries and the Expansion of Charity Gambling (1970–1986)

Following the 1969 changes to the *Criminal Code*, BC's first major foray into provincially operated gambling schemes occurred in 1974, when it joined with the provinces of Alberta, Manitoba, and Saskatchewan to form the Western Canada Lottery Foundation (WCLF).^h At approximately the same time, BC passed the *Lottery Act*, which set out the regulatory framework for conducting lotteries and created the BC Lottery Branch to oversee its implementation in the province. Initially, lottery revenue was to be used for cultural and recreational purposes, but in 1976, the Act was amended to allow gaming proceeds to be used for other purposes as well. In 1985, the BC government decided to withdraw from the WCLF and formed the BC Lottery Corporation (BCLC).²⁰

During this early lottery period, tickets were sold mainly by charities, which earned commissions on sales. This practice ended in the late 1970s, and the lost revenue from commission sales created long-standing animosity from the non-profit sector toward the WCLF and subsequently the BCLC.²¹ From 1970 until 1984, small-scale charity casino gambling occurred on a limited basis in BC under fairly strict rules of operation. For example, charity casinos could not operate from permanent facilities and bets were limited to \$2.00 or less.²⁰ After a time, charities began hiring commercial firms to manage their casino operations and this eventually led to growth in the number of private companies providing these services. During this period, 35 per cent of the revenue from casinos was reserved for charities, and 2 per cent of revenue went to the government as licensing fees.²⁰

Over time, regulations around charity casinos were gradually relaxed and this led to significant growth in the sector.

^h The WCLF later became known as the Western Canada Lottery Corporation.

By 1986, there were 32 private casino companies operating in BC, and the growth in the casino business had outstripped the province's ability to properly regulate the sector. At this point, new restrictive rules were introduced (e.g., reduced hours of operation, reduced bet limits, limits to the number of charity casinos), which lowered the number of commercial casino operators to 12 in 1987. At the same time, a new revenue distribution formula increased the charity share to 50 per cent and government licensing fees rose to 5 and then 10 per cent of the total revenue.²⁰

In addition to lotteries and casinos, the other major types of games to expand in the 1970s and 1980s in BC were charity bingos and raffles. As was the case with charity casinos, the expansion of bingo gaming led to the emergence of commercial bingo facilities and operators such that by 1987 there were over 60 permanent bingo halls in the province, some of which could seat up to 1,000 people.²⁰ Overall, religious organizations and other charities were the main recipients of revenue from bingo operations during this time period.

There was tension between charity casino growth and regulation, and growing conflict over the portions of revenue the government, commercial operators, and charities took from temporary casino and bingo operations. This tension and related conflicts set the tone for future relations between these stakeholders, with disagreements erupting periodically over the management of gambling and the allocation of proceeds.

Provincial Efforts to Restructure Gambling in BC (1987–1999)

In April 1987, the BC government announced the creation of the BC Gaming Commission, whose mandate would be to regulate charity casinos, bingo, and certain ticket lotteries. The Commission was instructed to undertake a comprehensive review of gaming policy in BC and to report back to the government

with recommendations. After extensive stakeholder consultations, the Commission released its report in January 1988 with the following major recommendations:

- Charity gaming in BC should be reorganized to “bring unity to the gaming structure.”
- The provincial government should develop comprehensive legislation to better manage gambling, but in the interim it should create a Lotteries Advisory Committee to help better coordinate the various forms of gambling operating in the province.
- The freeze on new charity casino locations should remain, but the freeze on charities allowed to participate in casinos should be lifted.
- There should be no increase in hours of operation or betting limits (set at \$5 at the time) at charity casinos.
- Slot machines should not be allowed in charity casinos.
- The development of major destination-style permanent casinos in large urban centres could bring welcome economic growth and should be studied further.²⁴

In 1992, a second major gaming review, known as the “Lord/Streifel Review,” consulted stakeholders on topics such as the potential impacts on charitable gaming of expanding electronic gambling and introducing VLTs. Key findings included the following:

- The numerous groups consulted called for the creation of comprehensive legislation to govern the operation of gambling in BC.
- Concerns were raised about the ability of charitable organizations to maintain revenue, and there were related calls for mechanisms to protect charitable gaming revenue from government encroachment.

- Opposition to continued expansion of gambling was raised by several religious organizations and individuals, with the rise in problem gambling being the most prominent concern.
- The gaming industry called for further expansion, including expanded hours of operation, higher bet limits, and the introduction of new forms of gambling (e.g., VLTs and slot machines).
- The BC Gaming Commission and the BCLC indicated their support for the expansion of gaming, including the introduction of VLTs in the province.²⁵

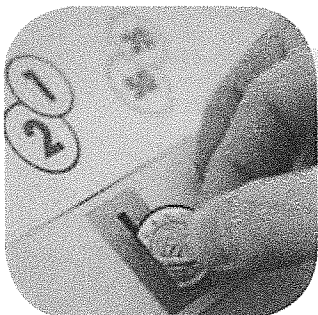
Overall, this review supported the policy of allocating the majority of current gaming revenue to charities, and affirmed the view that religious and charitable organizations should also be beneficiaries of some portion of additional revenue if and when new forms of gambling were introduced. The report also put the issue of problem gambling on the policy agenda for the first time. However, the BC government initially resisted calls for allocating resources to deal with problem gambling, and currently allocates the smallest proportion of gaming revenue per capita to problem gambling of all reporting provinces in Canada.¹⁸

A third major formal review of gambling policy in BC occurred in 1994, after the province received a proposal from private interests to open a major destination-style casino in Vancouver named the Seaport Centre.²⁰ The review of the Seaport Centre proposal led to the release of the third major report on gambling in six years.

Recommendations from this report²⁶ included the following:

- For-profit, Las Vegas-style casinos should not be permitted in BC.
- The 1987 freeze on charity casinos should be lifted and an increase in charity casinos should be explored, including discussions with First Nations groups.
- Electronic bingo should be expanded into bingo halls to enhance charitable gaming revenue.
- 4,600 to 5,000 VLTs should be introduced into adult-only venues. The machines would be owned and operated by the BCLC as a way to combat the estimated 10,000 unauthorized and illegal (“grey”) machines already operating in the province.
- The province should work with the First Nations Summitⁱ to explore how Aboriginal groups could participate in the new gambling policy of controlled expansion.
- All new government gaming revenue should be dedicated to socially beneficial purposes.
- New, comprehensive gaming legislation should be introduced in the province.²⁶

This report reaffirmed the importance of gambling as a funding source for charitable and religious organizations and acknowledged the growing interest in gambling from First Nations groups. However, the report failed to account for the growing resistance to expanding access to gambling (particularly EGMs) by municipal governments, which eventually used zoning restrictions and bylaws to keep VLTs from being introduced in the province.¹⁸ As of August 2012, there were still no VLT machines operating legally in BC.



In 1994, an estimated 10,000 unauthorized video lottery terminals were operating in BC.

ⁱ The First Nations Summit is an organization composed of many Tribal Councils and First Nations in BC, and was designed to address issues related to treaties and other concerns.

A major shift in gambling policy in BC occurred in early 1997, when the province appointed the Lottery Advisory Committee to implement the province's new gambling initiatives. While the new initiatives made repeated references to the protection of non-profit interests, it was clear from the beginning that the main financial beneficiary would be the provincial government. After several months of consultation with non-profit organizations across BC, in October 1997 the government passed the Gaming Proceeds Distribution Regulation. This initiative

- Entrenched the revenue-sharing formula between the province and charities with respect to revenue from bingo and casino gambling, including electronic gambling (i.e., electronic bingo and slot machines).
- Guaranteed revenue to charities based on revenue generated in fiscal year 1995/1996 plus 5 per cent (this was to allay fears of charitable organizations that the new destination gambling ventures would shift revenue away from charities to other gaming revenue recipients).
- Prescribed a formula by which the balance of net revenue would be transferred to the provincial consolidated revenue fund, with the proceeds to charities to be distributed through the Provincial Charity Trust.
- Did not provide for the sharing of revenue from destination casinos among charitable organizations.¹⁸

While the Gaming Proceeds Distribution Regulation attempted to finally address the ongoing conflict between the government and charity gaming interests over revenue allocation, shortly after its release, five of six commissioners on the BC Gaming Commission resigned, claiming that their authority to regulate charity gambling and set policy had been taken over by the government's Lottery Advisory Committee.¹⁸ A court decision handed down in January 1998 lent credence to the complaints

from charity interests about government encroachment into the sector. In December 1997, the Nanaimo Community Bingo Association (NCBA), a small group of licensed charities, filed a petition in the BC Supreme Court opposing the Gaming Proceeds Distribution Regulation. The Court eventually ruled in favour of the NCBA, finding that the provincial government had no authority to appropriate shares of gaming revenue intended for charitable or religious organizations.¹⁸

Immediately after this decision, the government called for another review of provincial gaming policy, known at the Rhodes Review.²⁷ The outcome of this review was an interim gambling framework. The interim framework, which was actively opposed by several coalitions of non-profit organizations, assigned responsibility for the conduct and management of casino gambling to BCLC, with the BC Gaming Commission providing direct charity access to revenue from BCLC casino operations. The framework effectively set up a more centralized "community chest" model of revenue distribution, where government assumed responsibility for the operation of gambling (in this case bingo and casino operations) and then distributed a portion of revenue to charities through provincial foundations (see sidebar "*Community Chest*" *Model of Revenue Distribution*).

Some members of the non-profit sector had been opposed to this centralized model

"Community Chest" Model of Revenue Distribution

The community chest model is a form of revenue distribution in which a government-run agency collects all gaming revenue and then allocates revenue to non-profit organizations. This model allows the allocating organization more control over how funds are distributed and allows the non-profit sector to regain some of the revenue that was lost when province-run gambling was expanded. Prior to the introduction of this method, charities would reserve a portion of profit from gambling facilities and pay licensing fees to the provincial government.¹⁸

of allocation since the mid-1980s, due to concerns that it would lead to direct government control and operation of all gambling in the province; that revenue distribution would become political, and therefore susceptible to partisan politics and organizations lobbying government for a share of the funding; and that it would eventually reduce the ability of non-profit agencies to allocate gaming revenue based on local priorities and community needs.¹⁸ The Rhodes Review also called for the development of a White Paper to be distributed for public commentary, and for a draft Gaming Act to be developed.²⁷

The White Paper, entitled *Report on Gaming Legislation and Regulation in British Columbia*, was released in 1999.²⁸ It summarized the range of issues that had become impediments to the provincial government's intended program of gambling expansion and offered a series of recommendations for public comment. The principal recommendations included the following:

- BCLC should discontinue all bingo operations and turn them back over to charities. Charities should have exclusive domain over bingo gambling, which should be licensed by the BC Gaming Commission.
- Charitable bingo gambling should include electronic bingo machines.
- The proposed Gaming Act should clearly define the government's guarantee of revenue to charities, and that this revenue should include bingo revenue retained by charities plus an amount transferred directly to charities equal to one-third of government net revenue from casino gambling operations.

The BC non-profit sector was guardedly supportive of both the Rhodes Review's interim gaming framework and the related White Paper for a number of reasons, including the fact that it effectively absolved

them from all casino operations while guaranteeing them access to substantial funds from the province's casino earnings. On the other hand, non-profit groups that had traditionally benefitted from bingo licensing and that operated their own bingo operations remained opposed to the community chest model, fearful that it might be embraced for the distribution of all bingo revenue.

In June 1999, the two largest organizations representing charitable bingo interests signed identical Memoranda of Agreement with the BC government, affirming that licensed charities would be the sole beneficiaries of both paper and electronic bingo revenue. More importantly, these memoranda also stated that the community chest model would not be applied to bingo operations in the province, thereby addressing the major remaining opposition to the government's plans to restructure BC's gaming operations.

Creation and Implementation of the Gaming Control Act (2000–present)

In July 2000, the *Gaming Control Act* was introduced, incorporating recommendations from the Rhodes Review and White Paper and proposing the creation of a new Gaming Control Authority as an independent agency to oversee major gaming policy decisions. Assurances were again given to the charitable gaming sector and also to municipalities that their interests would be represented in future decisions about gambling. The Act was eventually implemented in 2002. Key provisions of the *Gaming Control Act* included a funding guarantee to charities and a lucrative revenue-sharing arrangement with host municipalities. These provisions effectively addressed the major impediments to the government's plans for the expansion of gambling operations in BC and opened the door to a new era where open conflict over gambling policy largely ceased.

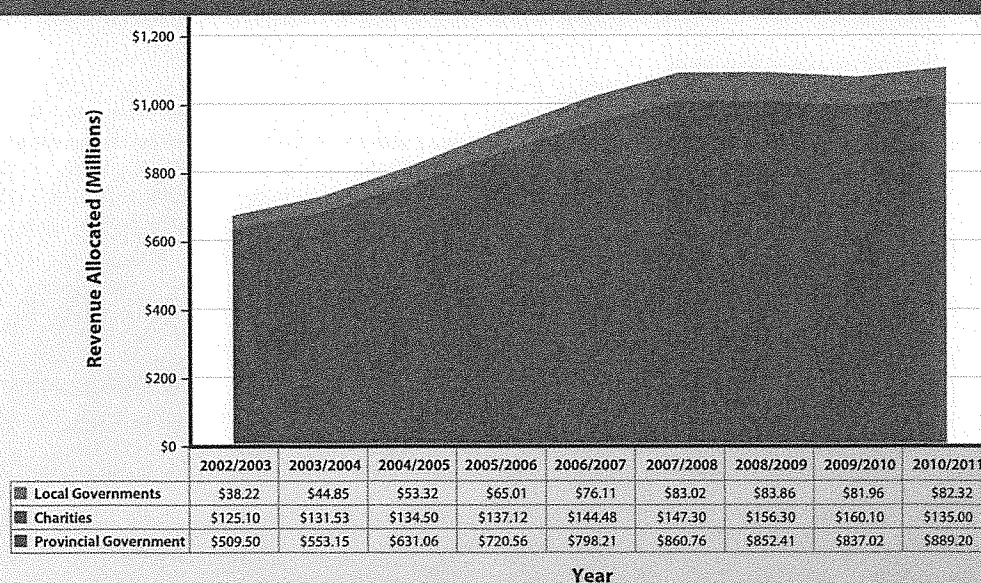
The community chest model of revenue distribution still governs gambling in BC under the authority of the *Gaming Control*

Act. The charitable sector and municipal governments appropriate the vast majority of revenue from bingo operations, while at the same time the province shares agreed-upon portions of government revenue from lotteries, casinos, EGMs, and, more recently, Internet gambling. Generally, this arrangement is beneficial to these stakeholders. BC transferred the most per capita gaming revenue to charities and local governments of all Canadian provinces in 2010/2011 (\$135 million to charities and \$82 million to local governments).¹⁴ On the other hand, from 2002/2003 to 2011/2012, charity-operated gaming revenue from bingo fell from over \$7 million to just over \$4 million.^{29,30} This may be due to factors such as increased competition (e.g., from expanded casino gambling, Internet gambling, and the introduction of slot machines at community gaming centres) and the general decline in gambling participation in BC shown in provincial prevalence survey results.^{14,31}

As depicted in Figure 2.1, the amount of net government revenue from gaming allocated to the provincial government increased from approximately \$510 million in 2002/2003 to \$889 million in 2010/2011. This represents a change in allocation to government from 76 to 80 per cent. In the same time period, revenue from gaming distributed to charities increased from \$125 million to \$135 million, which represents a decrease in the proportion of total gaming revenue allocated, from 19 to 12 per cent. Allocations to local government have increased from \$38 million to \$82 million, representing a small increase from 6 to 7 per cent of total government revenue from gaming. While this increase is small, BC still transfers the highest amount of gaming revenue to municipal governments compared to other reporting provinces (Manitoba, Ontario, and Prince Edward Island).¹⁴

Figure 2.1

Allocation of Net Government Revenue from Gaming, BC, 2002/2003 to 2010/2011



Note: Allocation to the provincial government includes distributions to the federal government, problem gambling, and responsible gaming. This figure does not include revenue that charities and municipalities gain directly from gaming (e.g., bingo operations). Net gaming revenue is revenue after prizes and expenses are paid.

Source: Canadian Partnership for Responsible Gambling. 2004-2012. *Canadian Gambling Digest 2002-2003 to 2010-2011*. Data compiled by the Centre for Addictions Research of BC, 2013; prepared by Public Health Planning and Surveillance and the Office of the Provincial Health Officer, Ministry of Health, June 2013.

Figure 2.2

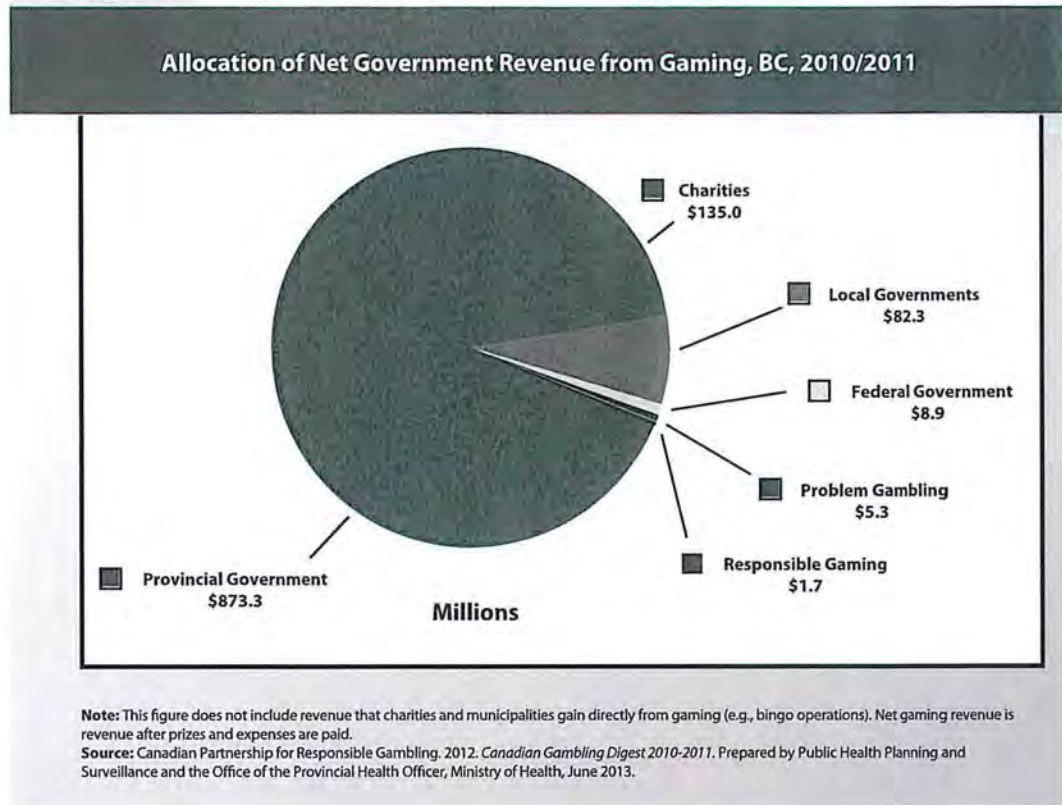


Figure 2.2 gives a more detailed breakdown of the allocation of total government revenue from gaming in 2010/2011. Of the \$889 million received by the provincial government (see Figure 2.1), \$5.3 million was distributed to problem gambling programs, \$1.7 million was distributed to responsible gaming programs, and \$8.9 million was transferred to the federal government.

Summary

The contentious nature of policy-making is evident when examining the major changes to gambling policy in BC during the last five decades. Gambling policy conflict in BC has centred mainly on disagreements over the allocation of revenue between charities—historically, the main beneficiaries of gaming proceeds—and

the government, which has substantially increased its revenue from gaming over time. In agreeing to share set portions of gaming revenue with non-profit groups and local governments, the provincial government brokered a truce that has lasted until the present day in BC. The first three provincial policy reviews (initiated in 1987, 1992, and 1994) reaffirmed the primacy of charities as recipients of gaming revenue. However, the provincial government eventually succeeded in creating a centralized system of control to manage gambling (i.e., the community chest model). This approach has ensured that the provincial government received the largest majority of new revenue as gambling availability has expanded over time. The next chapter presents a public health perspective for understanding and evaluating impacts of gambling, and identifies public health issues related to gambling.

¹ In other provinces (e.g., Alberta), funds are transferred to municipalities from crown corporations rather than from provincial governments.

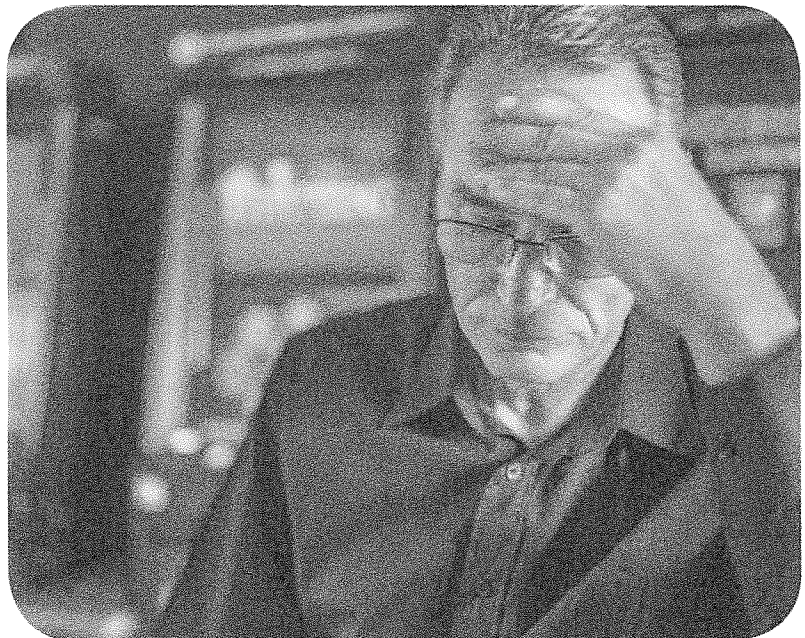
Chapter 3

A Public Health Approach to Gambling

In the past few decades, there has been a tremendous expansion in commercial gaming in BC, in Canada, and around the world. Gambling is now a global corporate industry with tremendous financial and marketing power. Governments have been active partners in this expansion due to gambling's revenue-generating potential, influence on local and regional economies, and traditional association with the charitable sector. The result is that gambling is now a significant public health issue, with substantial health, social, and financial impacts on BC communities.

As with other potentially harmful behaviours and their related health outcomes (e.g., obesity), the most common responses to mitigating gambling-related harms in both BC and Canada have focused on individual education, corporate social responsibility, and treatment services. Yet evidence shows that education campaigns and social responsibility messaging alone are not effective at reducing the harms and costs associated with harmful behaviours. Efforts to develop treatment services need to be balanced with efforts to develop public health responses, including the creation and implementation of public policies that promote health, minimize harm, and prevent problem gambling. This requires a comprehensive strategy based on sound public health principles and experience.³²

Attempts to mitigate harms related to gambling must aim for a middle ground between prohibition and promotion. In his discussion about drug and alcohol prohibition, Marks³⁷ explains that potential harms associated with these substances are, paradoxically, maximized with both heavy prohibition and heavy promotion. A middle ground can be reached with “controlled availability,” which reduces supply, demand, and subsequent related harms. The same logic can be applied to gambling. Canada and BC have moved away from the heavy prohibition that was seen at the beginning of the 20th century, toward the other end of the



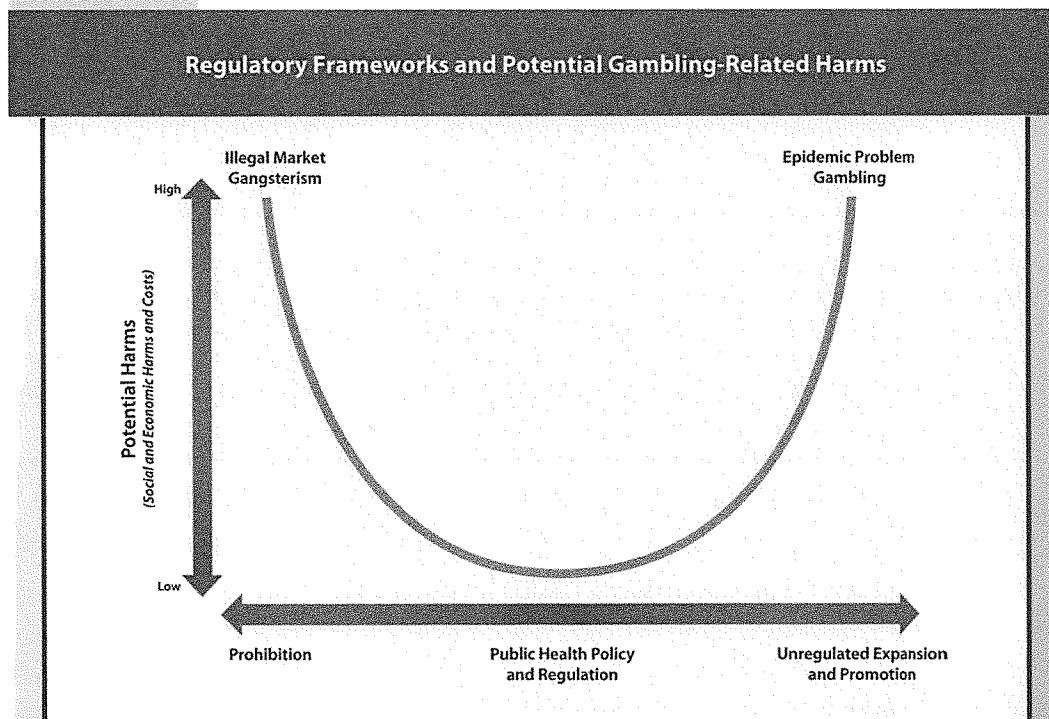
“ Understanding gambling from a public health perspective includes acknowledging the health, social, and economic dimensions of gambling, and pursuing strategies that minimize negative effects while recognizing potential benefits. ”

spectrum, which involves heavy, unregulated, and unconstrained promotion. Figure 3.1 provides an adapted graphic representation of this paradox of prohibition. Public health policy and regulation for responsible gambling practices is the regulatory framework for gambling that minimizes potential social and economic harms.³⁸

A public health perspective acknowledges the health, social, and economic dimensions of gambling, and pursues strategies that minimize the negative effects while recognizing the potential benefits. This

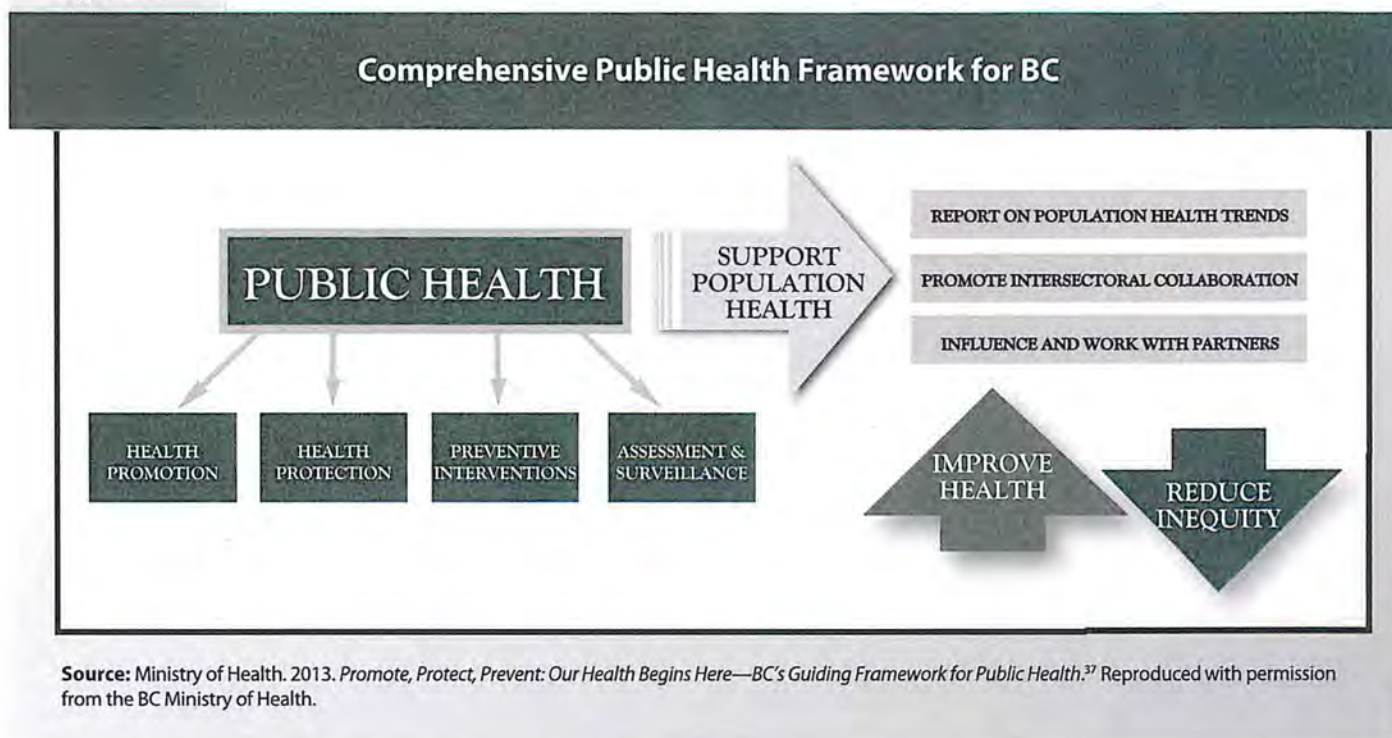
approach considers a range of gambling behaviours and problems at points along a health-related continuum rather than focusing solely on a specific problem such as pathological gambling. It addresses issues related to quality of life for all members of the community and gives attention to strategies that reduce any harm or adverse consequences from gambling behaviour. This approach also reflects the elements in a comprehensive public health framework, as shown in Figure 3.2, particularly preventive interventions, health promotion, health protection, and assessment and surveillance.³⁹

Figure 3.1



Source: Adapted from Marks J. 1990. "The Paradox of Prohibition." In *Controlled Availability: Wisdom or Disaster?*³⁷ and Health Officers' Council of BC. 2011. *Public Health Perspectives for Regulating Psychoactive Substances*.³⁸ Prepared by the Office of the Provincial Health Officer, Ministry of Health, June 2013.

Figure 3.2



Preventive Interventions

Preventive interventions such as immunization, counselling, screening, and early detection are among the mainstays of public health. Despite increased awareness of the desirability of preventing problem gambling, empirical knowledge related to the subject is scarce. Virtually none of the few existing gambling prevention programs have been rigorously evaluated. Nonetheless, there is reason to conclude that prevention programs aimed at minimizing problem gambling will be most effective if conceptually driven from research on resilience during adolescence.⁴⁰ This focus on building resilience, involving problem-solving skills, social and emotional competence, autonomy, and a sense of purpose, appears to be relevant to a wide range of problem and risk-taking behaviours.⁴⁰

Based on available evidence, problem gambling prevention initiatives should

- Be developed to meet the needs of specific groups (e.g., youth, seniors, Aboriginal peoples, ethno-cultural groups).
- Be integrated into substance use and other risky behaviour prevention programs.
- Provide effective awareness and education programs for adults (e.g., parents, teachers, other adults involved with youth) to improve knowledge about youth gambling risks and problems.
- Include self-help materials developed from harm reduction strategies. These resources should reflect responsible gambling techniques, along with guidelines for gambling abstinence, to be paired with help line interventions and referrals.
- Include outcome evaluation components.⁴¹

“Combining interventions to work at both the individual and population-wide levels provides the best outcomes for achieving population health goals.”



Health Promotion

The Ottawa Charter (1986) defines health promotion as

...the process of enabling people to increase control over, and to improve, their health. To reach a state of complete physical, mental and social well-being, an individual or group must be able to identify and to realize aspirations, to satisfy needs, and to change or cope with the environment. Health is therefore seen as a resource for everyday life, not the objective of living.⁴²

Health promotion involves building capacity, knowledge, and resilience within communities, groups, and individuals by addressing the social determinants of health and creating environments in which the healthy choice is the easier choice. This may include changing the social norms that ultimately shape behaviour within the community—in this case, social norms and behaviours related to gambling. Community involvement is important for health promotion, and it has become apparent that community involvement in decision-making about gambling is critical. Working with a combination of interventions at both the individual and population-wide levels provides the best outcomes for achieving population health goals.⁴²

Health Promotion Case Study: New Zealand

Following years of rapidly increasing gambling consumption, New Zealand's *Gambling Act* recognized gambling as a public health issue in 2003. New Zealand's approach focuses primarily on harm minimization, health promotion, and political determinants. Harm minimization seeks to reduce "hazardous" gambling consumption through strategies such as educating consumers and reducing access to more harmful gambling environments. Health promotion activities include empowering and developing the capacity of neighbourhoods and communities to address local issues related to gambling, as well as to influence local gambling environments. Political determinants involve increasing accountability by identifying and challenging the conflicts of interest that characterize many government relationships with gambling enterprises and gambling profits.³²

Health Protection

Health protection involves developing and implementing strategies that protect people through legislation, regulation, inspection, and, if need be, enforcement and prosecution. Health protection recognizes that many of the determinants of health lie outside the individual's sphere of control. For example, there is growing awareness that corporate investment into sophisticated electronic technologies has increased the potential for products such as electronic gaming machines (EGMs) to attract and engage players.⁴³ Also, community environments and levels of social capital (e.g., access to help from family/friends, whether individuals like living in their community, etc.) have significant influence on the level of harm associated with gambling activity.⁴⁴ So, just as health protection through policy and regulation plays an important role in areas of health such as water or food safety, it also has an important role to play in gambling safety. Legislation and policies must recognize the potential for harm and seek to minimize risks to individuals or communities from gambling.

Health Protection Case Studies: Australia and Nova Scotia

Australia

The state of Victoria, Australia, addresses gambling-related harms by restricting the number of electronic gaming machines (EGMs), especially in low-income communities.³²

Nova Scotia

Nova Scotia has “pioneered” the use of EGM loyalty cards to track gambling patterns and identify problem gambling.³²

Assessment and Surveillance

The public health framework element of assessment and surveillance involves monitoring population health status in order to detect, assess, and respond to outbreaks of disease or other health-related issues, and to help determine the effectiveness of public health programs and services. The design and implementation of a surveillance system for gambling could encounter several challenges and issues. These may include the question of how to establish an effective and reliable data collection process capable of illustrating both short- and long-term trends, as well as how to establish a long-term commitment to collect and analyze these data.⁴⁵ Such a system is necessary if governments hope to promote policies designed to maximize the economic and social benefits of legalized gambling while minimizing the economic and social costs.

Current data systems related to gambling do not provide the data needed for a comprehensive public health approach to gambling in BC. There is a need to expand data collection and research beyond the historical focus on problem and pathological gambling to include other sources of harm that may stem from the continued expansion of legalized gambling in the province.

Major Public Health Issues Related to Gambling

Consideration of public health issues goes beyond examination of individuals and their personal health, to matters that affect groups of people who share common characteristics, geography, or interests. The growth of legalized gambling suggests a range of public health issues that should be considered in efforts to reduce potential harms from gambling.

1. Problem gambling trends and expansion of gambling

Currently, the estimated lifetime prevalence rates for problem and pathological gambling in the general adult population in both Canada and the United States are relatively low. However, a significant number of studies associated with the introduction of new gambling opportunities demonstrate an increase in problem and pathological gambling.⁴⁶ This suggests a need to carefully monitor trends in order to guide policy related to health promotion, health protection, and prevention initiatives.

2. Youth and underage gambling

Youth is a developmental stage associated with experimentation, novelty, and sensation-seeking.^{47,48} Wider access to, and positive social attitudes about, gambling may contribute to the high prevalence of gambling activity observed among youth.^{36,49} Research suggests that problem and pathological gambling among youth is two to three times higher than in the general adult population.⁴⁹ This is cause for concern and invites innovative approaches to prevention, promotion, and protection.

3. Impacts of gambling on socio-economic and health inequity

There is increasing understanding of how vulnerability is associated with health outcomes and health equity, and this is an important concern. Promoting health equity and reducing health disparities requires universal initiatives and strategies, but with added scale or intensity for specific population groups experiencing increased vulnerability.

Numerous studies have demonstrated links between gambling and socio-economic inequality.^{7,50,51} For example, according to Reith,⁵⁰ rates of problem gambling are higher among those from “lower-income and ethnic minority groups and communities, as well as recent migrants and young males.” Additionally, lower-income households spend a higher proportion of their income

on gambling than do higher-income households.^{7,34} Wayland⁵¹ reports that, when considered as a percentage of household income, average spending on gambling by lower-income households in Canada is three times higher than spending by higher-income households. Freund and Morris⁵² cite lotteries as among the greatest gambling-related contributors to income inequality in the United States. Mikesell⁵³ has noted that increases in unemployment rates in the United States correspond with increased lottery sales, suggesting that the small chance of winning the lottery becomes more appealing to people in times of recession.

Such linkages between gambling and socio-economic inequality have important implications for individual and community health and well-being. Not only are lower incomes in industrialized countries associated with lower life expectancy,⁵⁴ but gambling has been linked to additional public health issues such as stress-related physical ailments, problematic substance use, mental illness, criminal behaviours (including spousal violence, and child abuse and neglect), and suicide.^{34,36}

4. Impacts of gambling on quality of life

When jurisdictions face decisions about new or expanded gaming facilities, there is often extensive, heated community debate regarding the social costs and economic benefits. One of the most common effects of gambling expansion is an increase in negative attitudes toward gambling by the public.⁷ Ideally, a community gambling assessment is shaped by consideration of local community needs, community values, strategic plans, and high-quality research findings on potential community impacts. Active participation of citizens, involvement of key stakeholder groups, and transparent decision-making are characteristics of a successful community process. The outcome of this process should preserve or enhance the overall quality of community life. Ongoing monitoring and impact analysis is necessary to evaluate the decision over time and to make appropriate adjustments.

Attitudes toward Gambling

Social attitudes are an important component of any discussion about gambling as a public health issue. In their final report, *The Social and Economic Impacts of Gambling*, Williams et al.⁷ note that gambling is a “value-laden activity” about which people tend to have strong opinions, whether positive or negative. Positive attitudes toward gambling are often based on the view that it has economic benefits and represents a voluntary form of taxation or government revenue collection. Negative attitudes generally focus on concerns about the social consequences of problem gambling. Their research also indicates that attitudes differ based on sex, age, and gambling involvement. Males, younger people, and heavier gamblers are more likely to report positive attitudes toward gambling than females, older adults, and casual gamblers or non-gamblers. While some people consider gambling to be “immoral,” Williams et al.⁷ found that it is more often seen as a matter of personal choice.

Elected officials often have more positive attitudes toward gambling because it is a source of revenue, while community members in general tend to have more negative views. As a result, “government gambling policy is often out of step with [public] opinion.”⁷ Williams et al.⁷ also point

out that “direct and/or extended exposure to gambling has tended to increase negative public attitudes,” with notable exceptions such as communities or regions where the benefits of gambling are seen to outweigh the harms (such as in casinos that generate revenue for Aboriginal communities, or “destination gambling” areas like those in the state of Nevada).

Summary

The recent expansion in gambling has likely resulted in both positive and negative health, social, and financial impacts in BC. A comprehensive public health approach acknowledges the multiple dimensions of gambling and emphasizes reducing harms while realizing potential benefits. This approach includes elements that focus on prevention, health promotion, health protection, and assessment and surveillance. A public health approach tackles issues such as gambling expansion and underage gambling, and attempts to address the socio-economic and health inequalities and challenges in quality of life that gambling brings, while acknowledging differing social opinions about gambling. The next chapter presents gambling-related trends, and quantifies some of the health, social, and financial impacts of gambling in BC.

Gambling-Related Trends

National Trends in Gambling Prevalence and Problem Gambling

No population-level trend data exist to assess the prevalence of gambling among Canadian citizens, including problem gambling, at the national level. The first and only national gambling prevalence survey took place in 2002 when the Canadian Problem Gambling Index (CPGI) was included in the annual Canadian Community Health Survey (CCHS). Data from the CCHS suggest that the majority (76 per cent) of Canadians age 15 and up engaged in at least one gambling activity in the previous year. The most common forms of gambling activities were lotteries (65 per cent), instant-win tickets (33 per cent), and casinos (22 per cent). This survey also confirmed that gambling is a relatively common form of recreation in Canada, with almost 40 per cent of the population gambling one or more times per week.¹³

The Problem Gambling Severity Index, part of the CPGI, assesses problem gambling based on questions about gambling involvement, problem gambling behaviour, and adverse consequences (e.g., disruption of personal, family, or professional life). It classifies individuals as non-gamblers, non-problem gamblers, low-risk gamblers, moderate-risk gamblers, and problem gamblers (see sidebar *Canadian Problem*

Gambling Index Levels). Typically, the rates for moderate-risk and problem gamblers are combined and reported as the prevalence of problem gambling. Using the CPGI, the CCHS found that the national rate of problem gambling in 2002 was an estimated 2.6 per cent of the population (2.0 per cent moderate-risk and 0.6 per cent problem gamblers).^{k,13} Analyses of the CCHS data indicate that the highest levels of problem gambling emerged in jurisdictions with high concentrations of electronic gaming machines (EGMs) in the community in combination with permanent casinos. This led the authors of one study to conclude that “the rapid and prolific expansion of new forms of legalized gambling in many regions of the country may be associated with considerable public health cost.”¹⁴



^k The confidence intervals for CPGI measures of problem gambling are fairly large, which makes it difficult to determine true problem gambling prevalence.

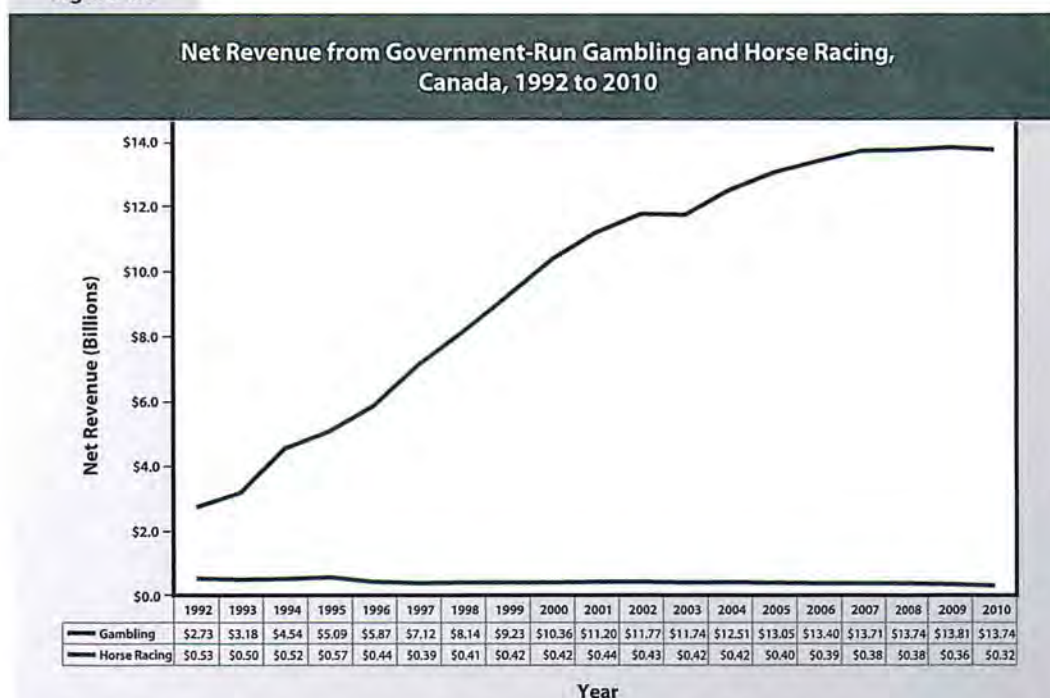
National Trends in Gambling Availability and Revenue

The overall trend in gambling policy is toward increasing types and numbers of games available over time.⁵⁵ For example, between 2002/2003 and 2010/2011, the total number of games of all types in Canada increased 35 per cent, from 78,512 to 106,040.^{14,31} The increase in the general availability of gambling has led to large increases in government revenue from gaming, as shown in Figure 4.1. These data indicate that net revenue from government-run gambling in Canada increased five-fold over the last two decades from about \$2.7 billion in 1992 to \$13.7 billion in 2010. The trend shown in Figure 4.1 suggests that the sector may have reached maturity around 2007, with little or no growth in revenue since that time. This plateauing of revenue parallels experiences in other jurisdictions that have experienced rapid expansion of gambling over the last several decades.⁶

While government revenue from gaming has increased substantially over the last several decades, the proportion of revenue earned from the various types of games has changed over time. Figure 4.2 shows a breakdown of net revenue from government-run gambling. This figure shows that revenue from casinos (including casino-based EGMs) now accounts for the largest share of proceeds from gambling, having overtaken lotteries in 1999.

In 2010, revenue from casinos represented 34 per cent of all government gambling revenue, lotteries accounted for approximately 26 per cent, slot machines outside of casinos provided 21 per cent, and video lottery terminals (VLTs) accounted for 19 per cent. In Canada from 2005 to 2010, revenue from lotteries, casinos, and slot machines outside of casinos increased, while revenue from VLTs declined (Figure 4.2). The decline in VLT revenue is due mainly to a small number of jurisdictions reducing the availability of this form of gambling in recent years.²²

Figure 4.1



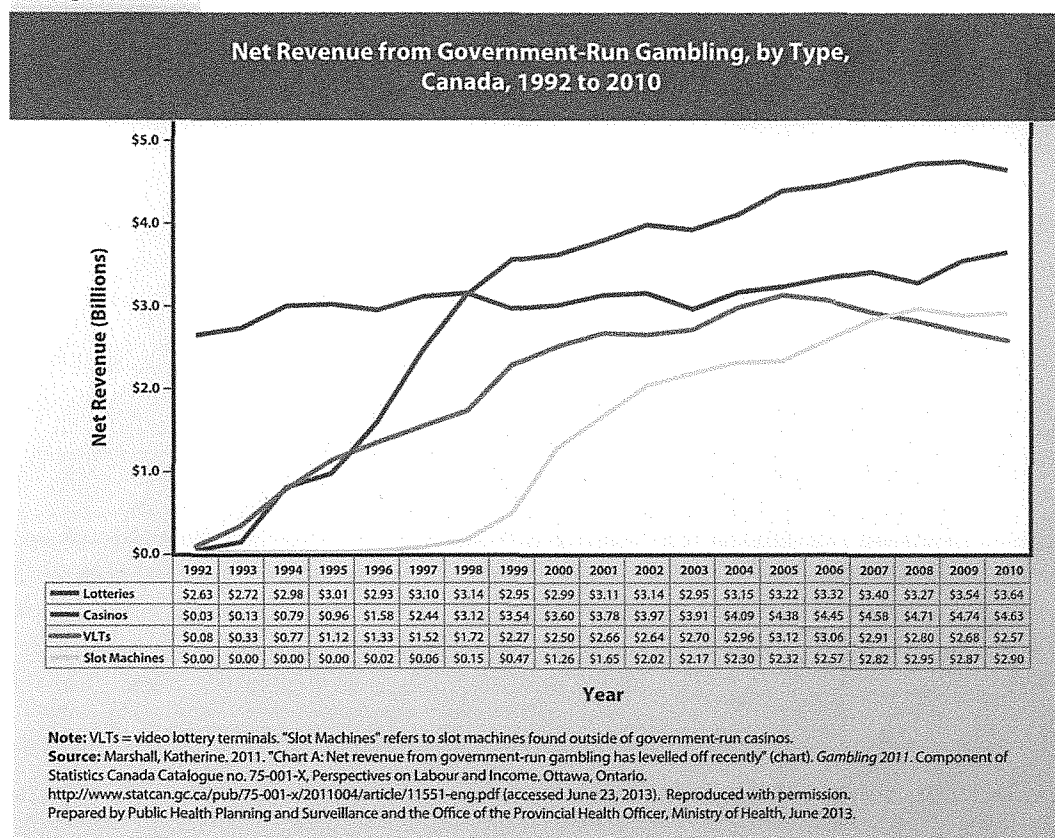
Note: Gambling includes revenue from government-run casinos, lotteries, slot machines (non-casino), and video lottery terminals.

Source: Marshall, Katherine. 2011. "Chart A: Net revenue from government-run gambling has levelled off recently" (chart). *Gambling 2011*. Component of Statistics Canada Catalogue no. 75-001-X, Perspectives on Labour and Income. Ottawa, Ontario.

<http://www.statcan.gc.ca/pub/75-001-x/2011004/article/11551-eng.pdf> (accessed June 23, 2013). Reproduced with permission.

Prepared by Public Health Planning and Surveillance and the Office of the Provincial Health Officer, Ministry of Health, June 2013.

Figure 4.2



Since an estimated 93 per cent of government revenue from casinos in Canada is derived from slot machines (after prizes and expenses are deducted),²⁹ approximately two-thirds of total government revenue from gambling in Canada now comes from EGMs. This is significant because, as identified earlier, the benefits and costs of gambling vary according to the type of game. A recent review of the literature on the social and economic impacts of gambling states that continuous forms of gambling (e.g., EGMs and casino table games) and forms of gambling with 24-hour access (e.g., Internet gambling) have greater potential to increase the prevalence of problem gambling.⁷ Recent data from an evaluation of BC's Voluntary Self-Exclusion (VSE) Program also suggest that casino tables, EGMs, and Internet gambling are the most problematic

forms of gambling. An evaluation of the VSE Program between 2006 and 2010 indicated that 83 per cent of the 169 VSE survey participants had a problem with slot machines. Additionally, 61 per cent said they had a problem with casino card games, and 33 per cent said they had a problem with Internet gambling. By comparison, 17 per cent of the VSE participants said they had a problem with horse betting, 16 per cent with Lotto, and only 6 per cent with bingo.⁵⁶ The weight of evidence suggests that EGMs are the most problematic form of gaming for a variety of reasons, including the speed of play and inducements included in the EGM experience (e.g., alerting the player of "near misses").⁶

All provincial governments in Canada earn substantial revenue from gaming, but

¹ A "near miss" on an EGM is an outcome that is close to winning (e.g., having two out of three winning symbols).



the amount per capita varies by province. Figure 4.3 shows gaming revenue per capita age 18 and up for nine provinces in 2011/2012. With gaming revenue of \$552 per capita, BC is slightly below the average of \$557. BC's gaming revenue per capita is substantially lower than the amounts reported by other western provinces, but higher than the amounts reported by all provinces east of Manitoba.

Figure 4.4 illustrates that despite BC's moderate to high levels of revenue from gaming, BC spends the lowest amount of its gaming revenue on problem gambling among provinces for which data were available (\$1.50 per capita age 18 and up). This is less than half the average of \$3.59.

Figure 4.5 compares the percentage of provincial revenue derived from gaming for nine Canadian provinces for 2011/2012, and shows a similar pattern to Figures 4.3 and 4.4. It shows that at 2.70 per cent, BC derives a greater proportion of provincial revenue from gaming than the average for all reporting provinces (2.30 per cent).

Figure 4.3

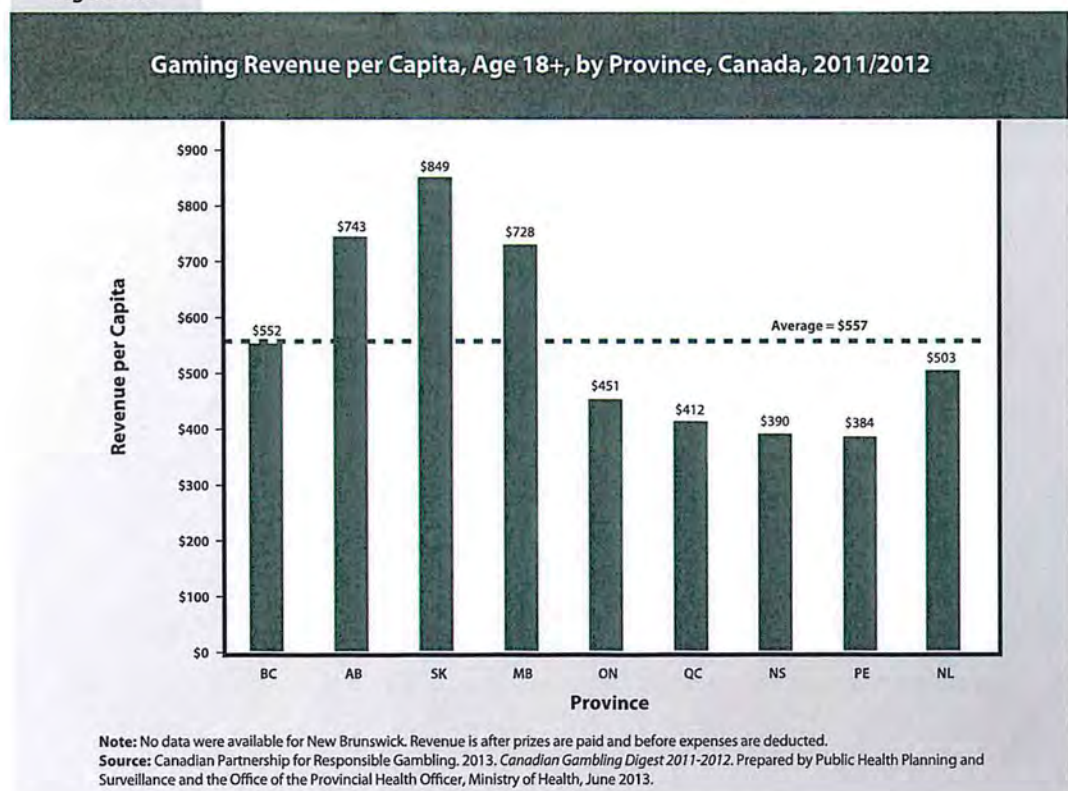
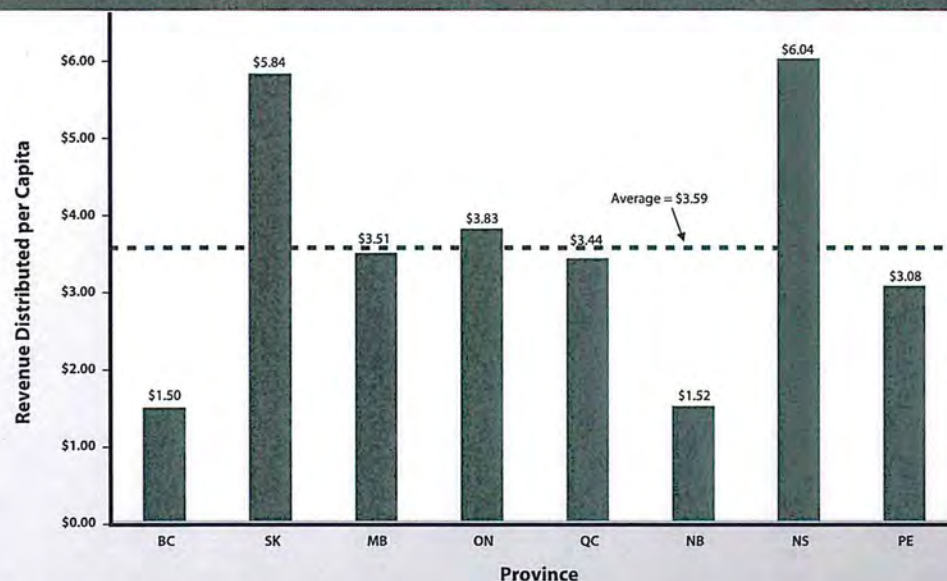


Figure 4.4

Gaming Revenue Distributed to Problem Gambling per Capita, Age 18+, by Province, Canada, 2011/2012



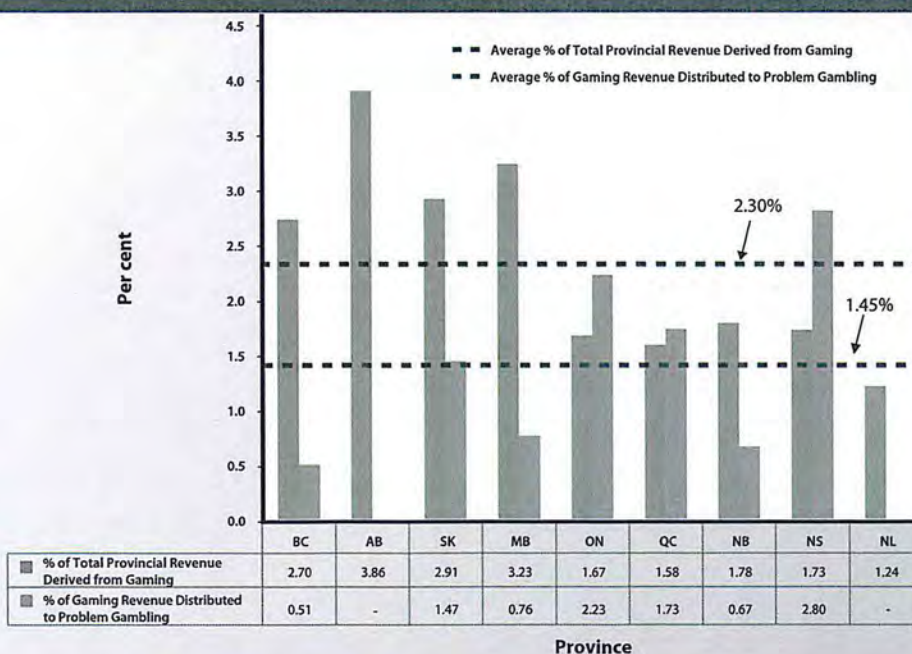
Note: No data were available for Alberta and Newfoundland and Labrador.

Source: Canadian Partnership for Responsible Gambling, 2013. *Canadian Gambling Digest 2011-2012*. Prepared by Public Health Planning and Surveillance and the Office of the Provincial Health Officer, Ministry of Health, June 2013.

“Despite BC’s moderate to high levels of revenue from gaming, BC spends the lowest amount per capita of its gaming revenue on problem gambling.”

Figure 4.5

Percentage of Total Provincial Revenue Derived from Gaming and Percentage of Gaming Revenue Distributed to Problem Gambling, by Province, Canada, 2011/2012



Note: No data were available for Prince Edward Island for provincial revenue derived from gaming, and no data were available for Alberta, Prince Edward Island, and Newfoundland for gaming revenue distributed to problem gambling. A “-” indicates that data were unavailable for that year.

Source: Canadian Partnership for Responsible Gambling, 2013. *Canadian Gambling Digest 2011-2012*. Prepared by Public Health Planning and Surveillance and the Office of the Provincial Health Officer, Ministry of Health, June 2013.



Figure 4.5 also shows that despite the relatively large proportion of provincial revenue derived from gaming, BC distributed only 0.51 per cent of gaming revenue to problem gambling in 2011/2012—well below the average of 1.44 per cent, and the lowest percentage of all reporting provinces.

While the major forms of gaming operate in almost all provincial jurisdictions in Canada, the mix of games varies both across jurisdictions and over time, due to

differences in policies related to gambling access and other factors. Table 4.1 provides information on the availability of games across Canada in 2011/2012, based on the number of games per capita age 18 and up. As shown here, BC has less than the average number of EGMs per 100,000 population age 18 and up; more than the average numbers for gaming tables at casinos and for lottery ticket terminals; and by far the highest number of electronic bingo units per 100,000 population age 18 and up, of all jurisdictions.

Table 4.1

Number of Games per 100,000 Population, Age 18+, by Province, Canada, 2011/2012											
Game	Avg.	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
EGMs	502.6	317.3	654.7	837.9	935.0	223.1	272.2	407.3	475.2	442.7	460.8
Gaming Tables at Casinos	8.1	14.0	16.5	10.6	13.3	7.3	3.4	3.9	5.5	6.9	0.0
Lottery Ticket Terminals	133.9	156.9	88.6	103.8	94.5	86.1	134.3	145.4	142.8	153.6	232.9
Electronic Bingo Units	23.6	113.0	51.8	0.0	62.3	8.5	0.0	0.0	0.0	0.0	0.0

Note: The age at which it is legal to gamble varies across provinces and gaming activities. For example, one must be 18 to gamble at casinos in Alberta, Manitoba, and Quebec, while in all other provinces the minimum age is 19. EGMs = electronic gaming machines. EGMs include slot machines and video lottery terminals.

Source: Canadian Partnership for Responsible Gambling. 2013. *Canadian Gambling Digest, 2011-2012*.

Table 4.2

Percentage of Total Government-Operated Gaming Revenue Derived from Major Gaming Types, by Province, Canada, 2010/2011											
Game	Avg.	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
EGMs	66.2	55.6	81.3	83.0	79.5	60.8	59.5	54.6	66.0	64.4	57.5
Gaming Tables at Casinos	5.8	18.2	0.0	2.7	3.8	8.9	7.6	12.4	2.9	1.5	0.0
Lottery Tickets	27.1	23.0	18.1	14.3	16.1	29.9	32.3	32.2	30.2	33.3	42.1
Bingo	0.4	1.9	0.5	0.0	0.6	0.4	0.6	0.0	0.0	0.0	0.0
Internet Gaming	0.5	1.3	0.0	0.0	0.0	0.0	0.0	0.8	0.9	0.8	0.8

Note: Revenue is after prizes are paid and before expenses are deducted. In some cases, the percentages listed are estimates based on residuals from other categories. EGMs = electronic gaming machines. EGM revenue in BC includes proceeds from electronic gaming tables at casinos. EGMs include slot machines and video lottery terminals.

Source: Canadian Partnership for Responsible Gambling. 2012. *Canadian Gambling Digest 2010-2011*. Further analysis done by the Centre for Addictions Research of BC.

Table 4.2 shows the total government-operated gaming revenue derived from major gaming types in 2010/2011. This illustrates that BC derives proportionally less revenue from EGMs than the average among provinces shown, and somewhat less from lottery tickets as well. BC derives proportionally much more revenue than the average from gaming tables at casinos, as well as slightly more than the average from bingo and Internet gaming.

Government policies influence the nature and extent of gaming. As shown in Table 4.3, policies regarding the availability and/or placement of casinos, EGMs, and Internet gaming vary by province. For example,

- Newfoundland and Labrador does not have permanent casinos.
- EGMs are concentrated in the prairie provinces (Alberta, Saskatchewan, and Manitoba), which correlates with higher-than-average government revenue from

gaming in these provinces (see Tables 4.1 and 4.2).

- BC and Ontario do not have VLTs, while VLTs are placed in licensed premises in all other provinces.
- Slot machines are available in community gaming centres in BC.
- A variety of games are available on BC's *PlayNow.com* website, including casino table games (see sidebar *PlayNow.com*).

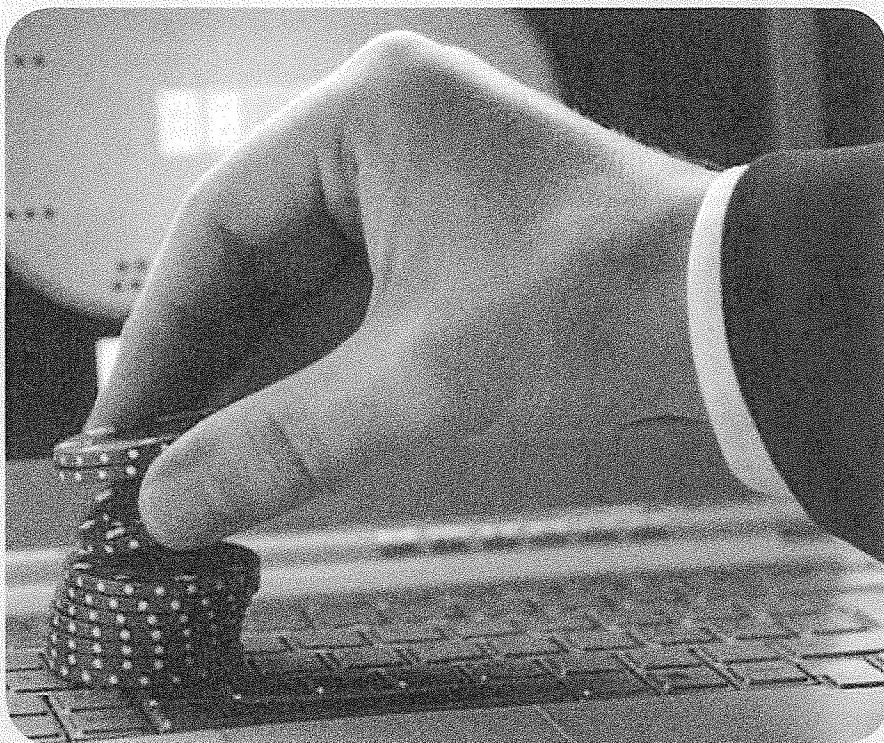
National trends examined in this section show a substantial increase over the last two decades in revenue from gambling overall, and from casinos, casino-based EGMs, and slot machines in particular. Compared to other jurisdictions in Canada, BC earns a moderate to high level of revenue from gaming, but spends less than half the average amount (per capita age 18 and up) of other jurisdictions on problem gambling. The next section looks more closely at trends in BC since 2002/2003.

Table 4.3

Availability of Casinos, Electronic Gaming Machines, and Internet Gaming, by Province, Canada, 2011/2012										
Casinos	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Permanent Government-Run Casinos	X	X	X	X	X	X	X	X	X	
Casinos per 100,000 Population, Age 18+	0.5	0.8	1.0	0.4	0.1	0.1	0.2	0.3	1.7	0.0
EGMs	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Slots at Community Gaming Centres	X									
Slots at Casinos	X	X	X	X	X	X	-	X	X	
VLTs in Bars, Lounges, etc.		X	X	X		X	X	X	X	X
VLTs at Racetracks				X						
EGMs per 100,000 Population, Age 18+	317.3	654.7	837.9	935.0	223.1	272.2	407.3	475.2	442.7	460.8
Internet Gaming	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
Instant Win/Scratch	X						X	X	X	X
Lottery Tickets	X						X	X	X	X
Bingo	X						X	X	X	X
Casino Slots	X					X				
Casino Table Games	X					X				
Player-Banked Poker	X					X				
Sports Betting	X						X	X	X	X
Video Poker	X									
Percentage of Revenue from Internet Gaming	1.3	0.0	0.0	0.0	0.0	0.0	0.8	0.9	0.8	0.8

Note: EGMs = electronic gaming machines. VLTs = video lottery terminals. A "-" indicates that data were unavailable. Ontario recently closed several gaming centres along its border with the United States, but is planning to open new casinos in at least five cities. For more information, visit www.modernolg.ca.

Source: Canadian Partnership for Responsible Gambling. 2013. *Canadian Gambling Digest 2011-2012*.



PlayNow.com

PlayNow.com is a BC Lottery Corporation (BCLC) website that was launched in 2004. It is promoted as “BC’s own online gaming website” and the first provincially-operated gambling website in North America. *PlayNow.com* offers casino, poker, bingo, and sports and lottery games, including slot machines, blackjack, craps, roulette, and more.

PlayNow.com promises to provide a safe, secure online gaming environment for BC residents age 19 and up. According to the website, all of the revenue generated through *PlayNow.com* stays in BC to support provincial, community, and charitable programs. The website provides the toll-free number for the Problem Gambling Help Line, and encourages players to “keep it fun” by using their GameSense.⁵⁷

In January 2013, BCLC announced an expansion of the *PlayNow.com* website into Manitoba.⁵⁸

Trends in the Availability of Gambling in BC

The availability of different types of gambling has shifted substantially in BC over the last decade, as shown in Figures 4.6 and 4.7. From 2002/2003 to 2011/2012, the number of EGMs per 100,000 population increased by approximately 210 per cent, and the number of casino gaming tables per 100,000 population increased by about 16 per cent. Decreases were also evident during this time: the number of lottery ticket outlets per 100,000 population

decreased by almost 20 per cent, and the number of permanent casinos per 100,000 population decreased by almost 17 per cent. Meanwhile, from 2003/2004 to 2011/2012, the number of full-time bingo halls per 100,000 population decreased by 30 per cent. These changes are directly influenced by government policies on availability. For example, the large increase in EGMs in BC in 2005/2006 and again after 2007/2008 resulted at least partially from the decision to place slot machines in community gaming centres in 2005, and to expand this availability in 2007. In 2011/2012 there were 11,830 EGMs operating in BC.²⁹

Figure 4.6

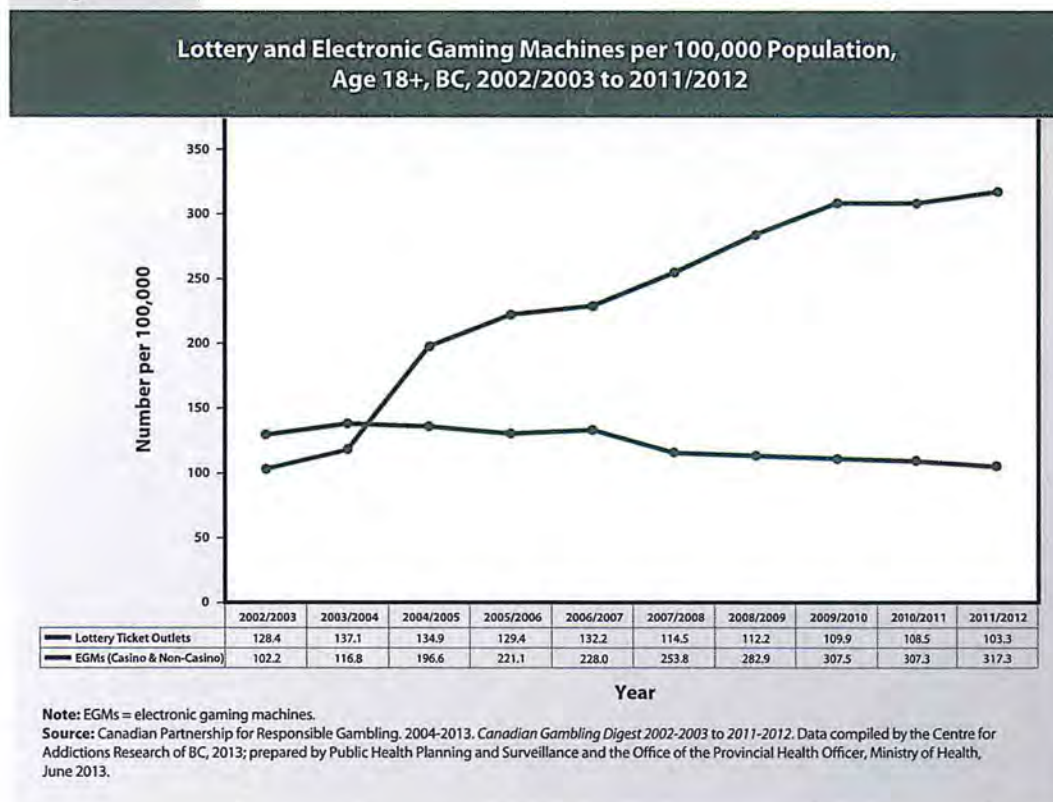
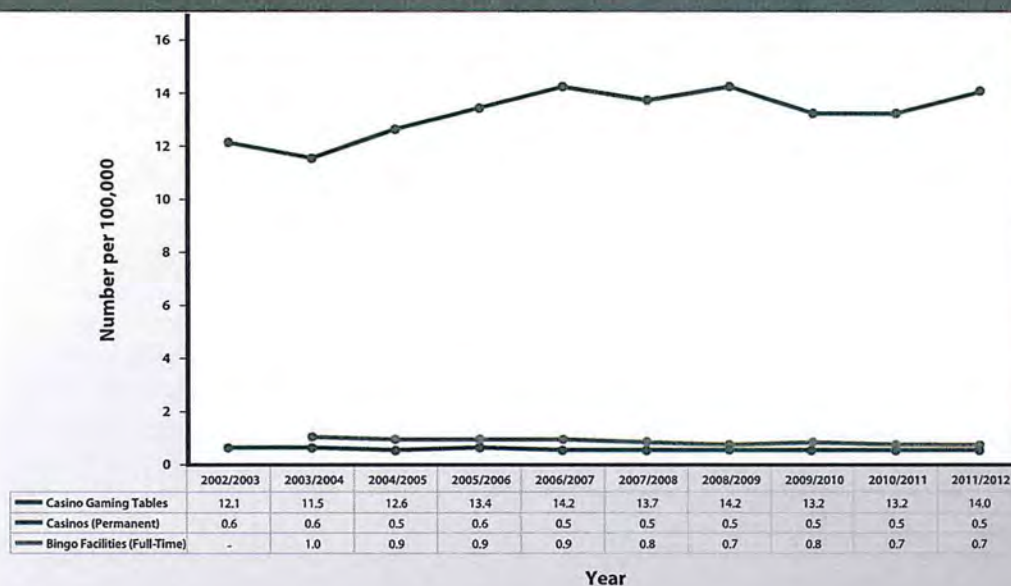


Figure 4.7

Casino and Bingo Facilities per 100,000 Population, Age 18+, BC, 2002/2003 to 2011/2012



Note: A "-" indicates that data were unavailable for that year.

Source: Canadian Partnership for Responsible Gambling, 2004-2013. *Canadian Gambling Digest 2002-2003 to 2011-2012*. Data compiled by the Centre for Addictions Research of BC, 2013; prepared by Public Health Planning and Surveillance and the Office of the Provincial Health Officer, Ministry of Health, June 2013.

**UP
210%**

**Electronic
Gaming
Machines**

per 100,000
population in
last 9 years



**DOWN
30%**

**FULL-
TIME
BINGO
FACILITIES**

per 100,000
population in
last 8 years



The marketing of new technologies has impacted gambling in BC. There is a clear trend towards more EGMs in BC, and fewer traditional bingo facilities.

Prevalence of Gambling and Problem Gambling in BC

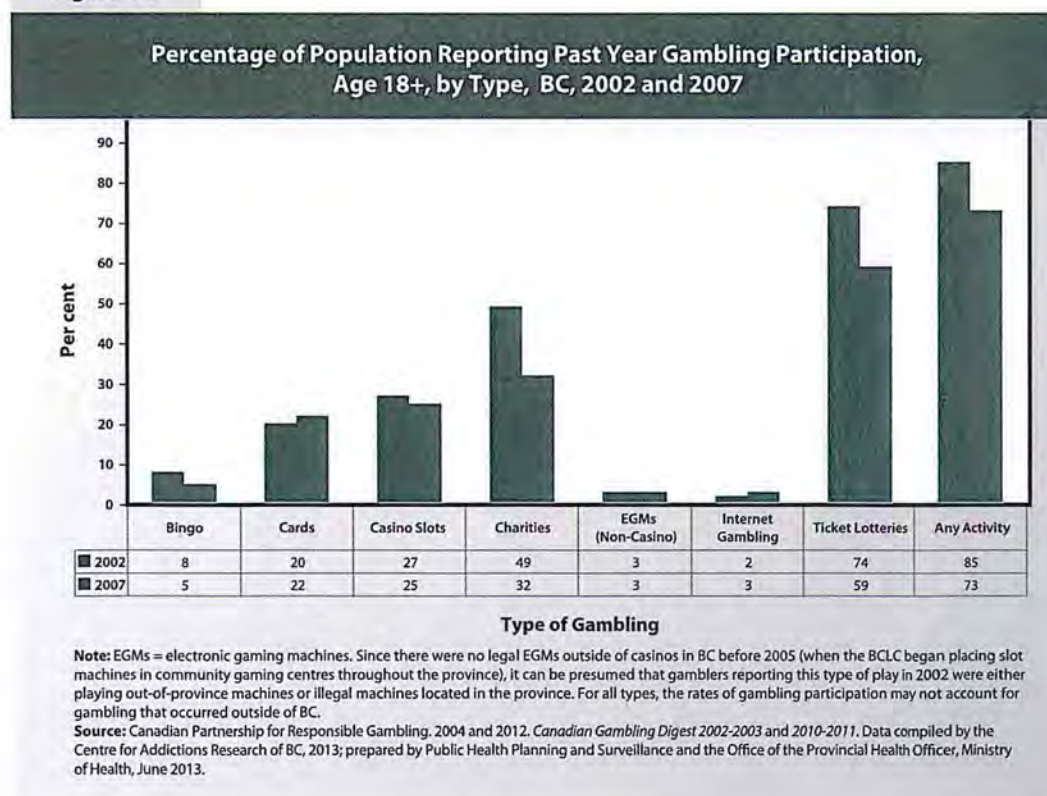
The prevalence of gambling in BC has been assessed through both self-reported measures (provincial surveys) and administrative datasets. The BC government conducted provincial surveys in 2002 and 2007 to assess the nature and extent of gambling in the province, using the Canadian Problem Gambling Index (CPGI). As shown in Figure 4.8, these survey data indicate that the overall rate of past year participation in gambling declined between 2002 and 2007 from 85 per cent to 73 per cent. Bingo, charity raffles (e.g., hospital lotteries)⁸ and lotteries declined the most, while participation in cards and Internet gambling increased, and participation in non-casino EGMs remained the same.

Based on the two provincial surveys in 2002 and 2007, there were also changes in the

proportions of gamblers assessed at each CPGI level in BC between the survey years (see sidebar *Canadian Problem Gambling Index Levels*).^m As demonstrated in Figure 4.9, between 2002 and 2007, the proportion of non-gamblers in BC increased substantially, from 15.0 to 27.1 per cent of the population age 18 and up. Non-problem gamblers age 18 and up decreased from 69.3 to 59.6 per cent, low-risk gamblers decreased from 11.1 to 8.7 per cent, and the percentage of moderate-risk gamblers decreased from 4.2 to 3.7 per cent. However, the percentage of problem gamblers more than doubled, increasing from 0.4 to 0.9 per cent. Based on BC Stats population estimates for 2002 and 2007, this represents an increase in the approximate number of problem gamblers in BC from nearly 13,000 to more than 31,000 in only five years.⁵⁹

While a formal trend analysis is not possible with only two data points, these data suggest

Figure 4.8



^m The term "problem gambler" typically includes those who have moderate and more severe gambling problems.

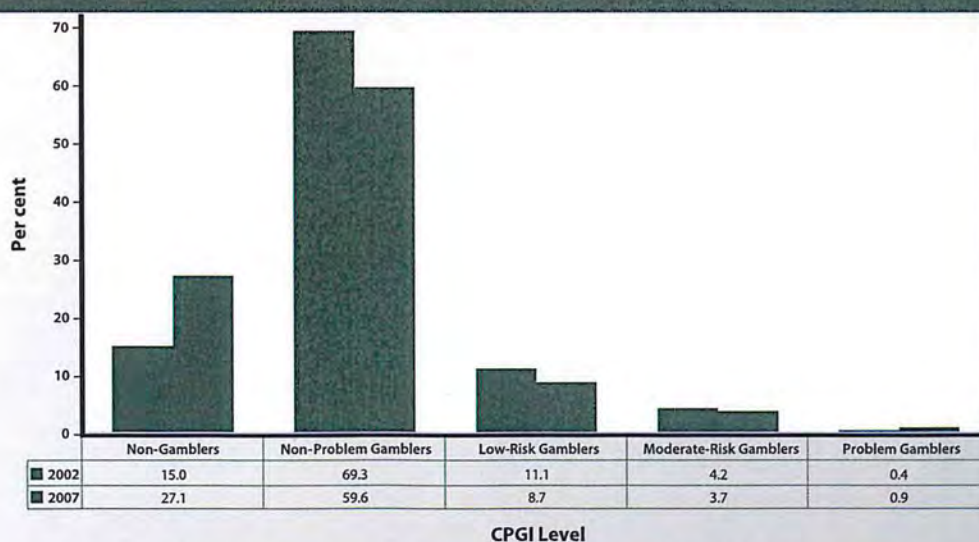
that substantial numbers of non-problem and low-risk gamblers in BC are gravitating toward non-gambling, while moderate-risk gamblers may be gravitating toward problem gambling. Although it is hard to determine conclusively, the tripling of EGMs in BC since 2002/2003 (see Figure 4.6) may explain some of the observed increase in problem gambling, since this form of gambling is associated with higher rates of problem gambling.^{6,56}

The Growing Number of Problem Gamblers in BC



Figure 4.9

Problem Gambling Prevalence, Age 18+, by Canadian Problem Gambling Index Level, BC, 2002 and 2007



Note: The rates of gambling participation do not account for gambling that may have occurred outside of BC. The levels of problem gambling are derived from the Canadian Problem Gambling Index (CPGI). According to analyses completed by the Gaming Policy and Enforcement Branch, the increase in the estimate of problem gamblers and the decrease in the estimate of low-risk gamblers are statistically significant ($p < .05$ and $p < .01$, respectively), from 2002 to 2007.

Source: Canadian Partnership for Responsible Gambling, 2004 and 2012. *Canadian Gambling Digest 2002-2003 and 2010-2011*. Data compiled by the Centre for Addictions Research of BC, 2013; prepared by Public Health Planning and Surveillance and the Office of the Provincial Health Officer, Ministry of Health, June 2013.

Canadian Problem Gambling Index Levels

The Canadian Problem Gambling Index (CPGI), launched in 2001, was developed to provide a “more meaningful measure of problem gambling for use in general population surveys, one that reflected a more holistic view of gambling and placed it in a more social context.” The CPGI asks a series of questions about gambling involvement (e.g., frequency, spending levels), problem gambling behaviours (e.g., gambling-related health or financial problems, difficulty stopping), and correlates of problem gambling (e.g., substance use, depression).

CPGI scores are based on the number of “sometimes,” “most of the time,” and “almost always” responses given to nine behavioural indicators for problem gambling. Based on the resulting score (up to a maximum of 27), respondents are assigned to one of the following five categories:

- **Non-gamblers** (score: 0) – have not gambled at all in the past 12 months.
- **Non-problem gamblers** (score: 0) – are unlikely to have experienced any adverse consequences from gambling.
- **Low-risk gamblers** (score: 1 to 2.5) – are unlikely to have experienced adverse consequences from gambling, but will have responded “sometimes” or “most of the time” to at least one indicator of problem gambling behaviour.
- **Moderate-risk gamblers** (score: 3 to 7.5) – may or may not have experienced adverse consequences from gambling, but will have responded “most of the time” to more than one and/or responded “always” to at least one indicator of problem gambling behaviour.
- **Problem gamblers** (score: 8 to 27) – “have experienced adverse consequences from their gambling, and may have lost control of their behavior. Involvement in gambling can be at any level, but is likely to be heavy.”¹⁰

Impact of Problem Gambling – Hospitalizations

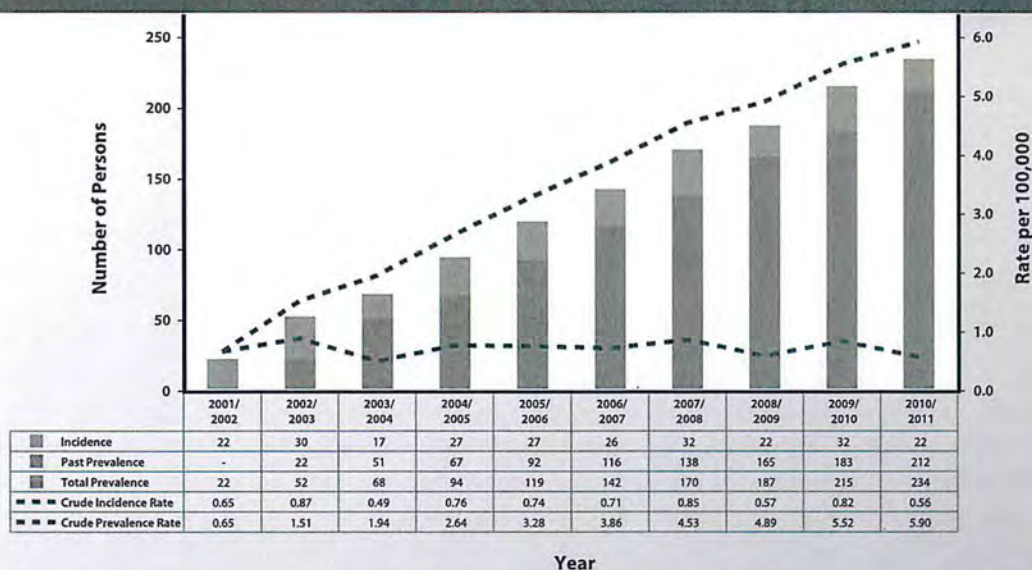
Problem gambling can also be assessed through hospitalization discharge data. These data only show the more severe problem gambling cases, and will not reflect the large number of cases that did not involve hospitalization, or cases without problem gambling noted on the hospital discharge abstract summary. As shown in Figure 4.10, the crude incidence rate is fairly stable, while the total prevalence and the crude prevalence rate have increased. This suggests that some of the previously unidentified prevalent cases are gradually being

identified (incidence) when admitted to hospital, usually for another condition.

Hospitalization discharge data for BC also indicate that problem gambling admissions in BC in 2010/2011 varied by age and sex. As shown in Figure 4.11, overall, males have hospitalization counts that are nearly double the female counts, and males make up 65 per cent of problem gambling cases counted during 2010/2011 (compared to 35 per cent for females). These data also show that male counts for problem gambling admissions peak at 35 to 44 years old, while female counts peak at 45 to 54 years old.

Figure 4.10

Hospital Problem Gambling Cases, Annual Incidence and Prevalence Counts and Rates, Age 15+, BC, 2001/2002 to 2010/2011

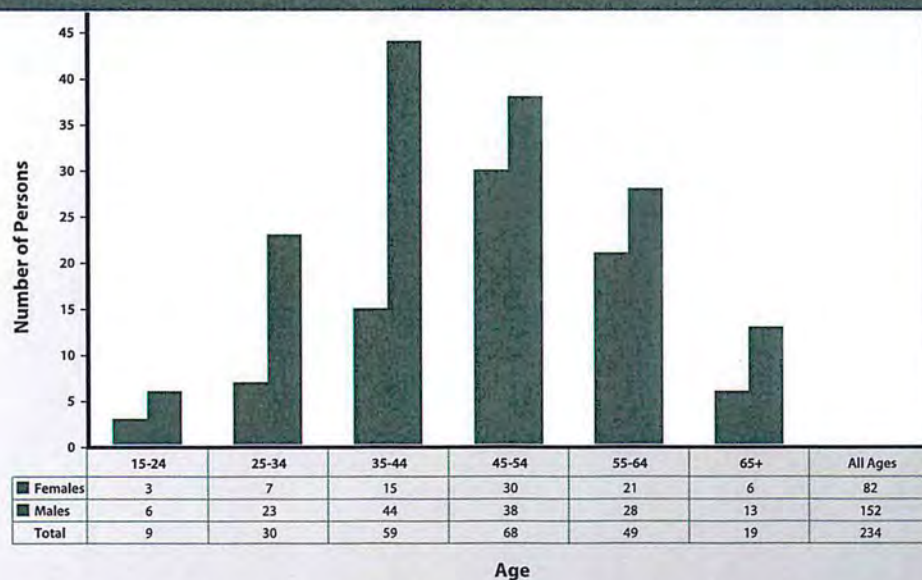


Note: The standard population is based on the 2010 BC population age 15 and up without a problem gambling diagnosis. "Problem Gambling" case definition is based on at least one hospital separation with a diagnostic code of F63.0 (pathological gambling, compulsive gambling) or Z72.6 (problems related to lifestyle—gambling and betting, not otherwise specified) on the discharge abstract, at any level of diagnosis.

Source: Population Health Surveillance and Epidemiology, Ministry of Health, August 23, 2012.

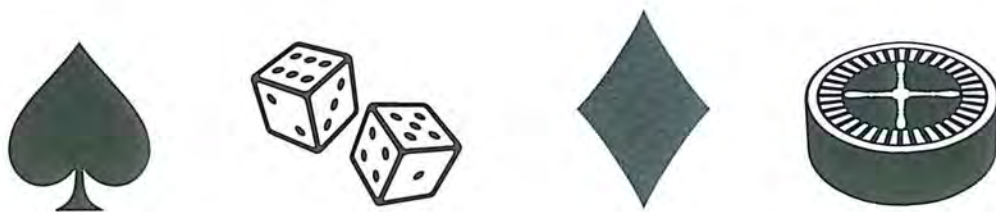
Figure 4.11

Hospitalized Problem Gambling Cases, Age 15+, Prevalence Cases by Age and Sex, BC, 2010/2011



Note: "Problem Gambling" case definition is based on at least one hospital separation with a diagnostic code of F63.0 (pathological gambling, compulsive gambling) or Z72.6 (problems related to lifestyle—gambling and betting, not otherwise specified) on the discharge abstract, at any level of diagnosis, from 2001/2002 to 2010/2011.

Source: Population Health Surveillance and Epidemiology, Ministry of Health, August 23, 2012.



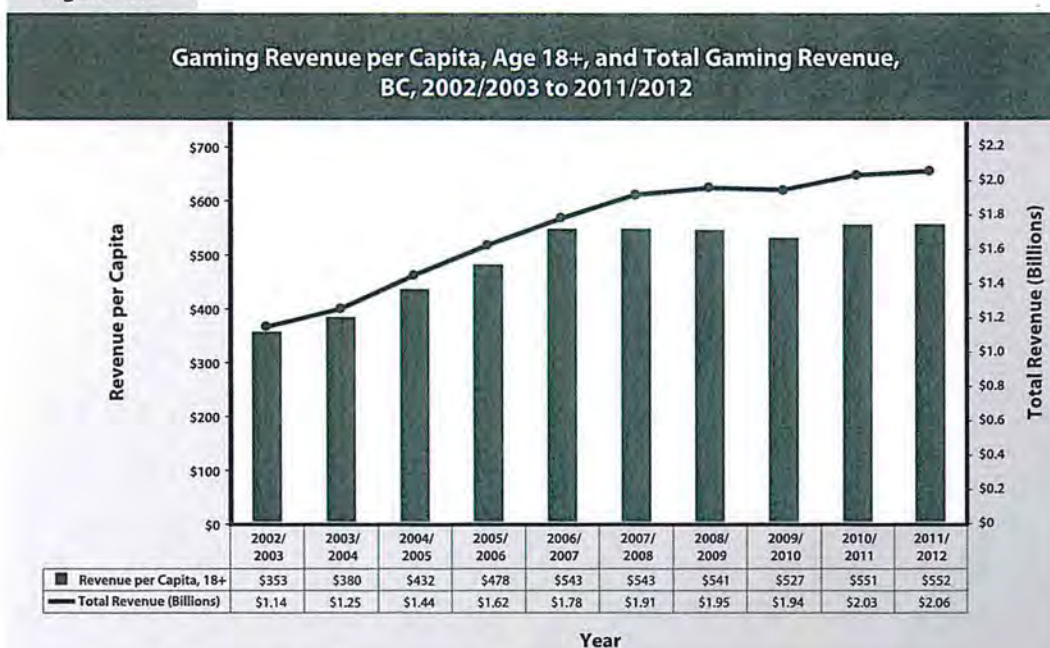
Trends in Gaming Revenue in BC

As shown in Figure 4.12, total revenue from gaming for the BC government increased substantially between 2002/2003 and 2011/2012. In the same time period, government revenue from gaming increased 56 per cent, from \$353 to \$552 per capita age 18 and up; however, this revenue has remained relatively stable in BC since reaching \$543 per capita in 2006/2007. While overall revenue has increased, gambling participation has decreased, with both a decrease in average gambling

participation and an increase in the percentage of non-gamblers (see Figures 4.8 and 4.9). This suggests that the increase in revenue since 2002/2003 is coming from fewer individual gamblers in BC.

Trend analysis of BC government revenue from gaming between 2002/2003 and 2010/2011 (Figure 4.13) indicates that the percentage of revenue from casinos (approximately 70 per cent of which is from casino-based EGMs) has increased slightly for a few years, but has remained relatively stable since 2005/2006. The percentage of government revenue from non-casino EGMs and Internet gaming has increased, while

Figure 4.12



Note: Revenue is after prizes are paid and before expenses are deducted.

Source: Canadian Partnership for Responsible Gambling, 2004-2013. *Canadian Gambling Digest 2002-2003 to 2011-2012*. Data compiled by the Centre for Addictions Research of BC, 2013; prepared by Public Health Planning and Surveillance and the Office of the Provincial Health Officer, Ministry of Health, June 2013.



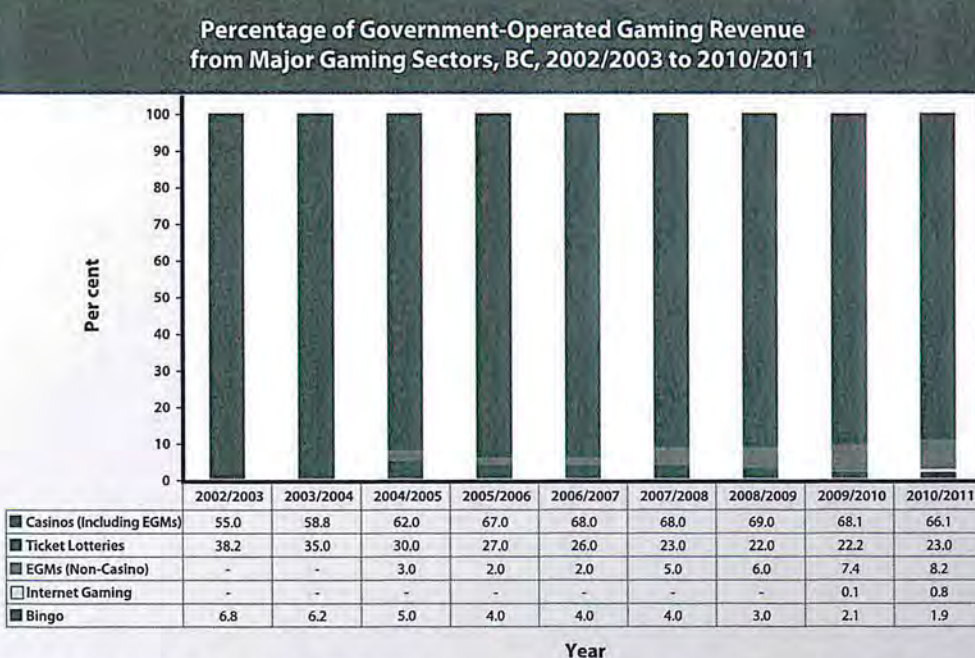
the percentage of government revenue from lotteries and bingo has decreased.

The variation over time apparent in Figure 4.13 may be related to a number of different factors, including changes in government policy. For example, the growth in revenue from non-casino EGMs is likely a reflection of the decision to place slot machines in community gaming centres beginning in 2005 and to expand their numbers further after 2007. The growth in revenue from Internet gaming likely stems, at least in part, from decisions to expand its availability, including the launch of web-based, casino-type

gambling on the province's *PlayNow.com* website in 2010. In addition, according to reports released by the Canadian Partnership for Responsible Gambling, the percentage of casino revenue from slot machines increased steadily over the last nine years in BC, from 59 per cent in 2002/2003 to 72 per cent in 2010/2011 (after prizes are paid and before expenses are deducted).^{14,31} Factoring in the revenue from casino-based EGMs, the percentage of total gaming revenue earned from all slot machines in BC was approximately 55 per cent in 2011/2012,²⁹ confirming that the majority of BC government gaming revenue now comes from EGMs.

“The majority of BC government gaming revenue now comes from EGMs.”

Figure 4.13



Note: In 2011, the Canadian Partnership for Responsible Gambling changed reporting methods. To allow for comparisons across years, calculations have been performed to 2009/2010 and 2010/2011 data. Numbers may not total 100 due to rounding. Revenue is after prizes are paid and before expenses are deducted. EGMs = electronic gaming machines. A “-” indicates that data were unavailable for that year.

Source: Canadian Partnership for Responsible Gambling, 2004-2012. *Canadian Gambling Digest 2002-2003 to 2010-2011*. Data compiled and modified by the Centre for Addictions Research of BC, 2013; prepared by Public Health Planning and Surveillance and the Office of the Provincial Health Officer, Ministry of Health, June 2013.

The Proportion of Government Gaming Revenue Attributable to Problem Gambling

The proportion of gaming revenue that comes from both moderate-risk and problem gamblers should be considered in the development of gambling policy in BC and Canada. The prevalence of moderate-risk and problem gambling in the general population of BC in 2007 was an estimated 4.6 per cent of the population age 18 and up, as shown in Figure 4.9 (approximately 159,000 peopleⁿ). Research from Canada and elsewhere indicates that problem gamblers likely account for a disproportionate share of gaming revenue. Table 4.4 compares the prevalence of problem gamblers (using different screening instruments) to the estimated proportion of revenue derived from problem gamblers in several Canadian and international jurisdictions. This table also provides a ratio of the proportion of revenue over the prevalence of problem gamblers, which demonstrates the level of disproportion between prevalence of problem gamblers and the proportion of revenue derived from them. While higher ratios might be attributable to lower estimated prevalence rates (e.g., the United States and the DSM-IV), the consistently high ratio for these jurisdictions demonstrates that a large portion of gaming revenue is derived from a small portion of the population that includes people who may be experiencing challenges with addictive gambling behaviour.

The revenue derived from problem gamblers is important to policy for several reasons:

- It has a direct relationship to the harms associated with gambling.
- It has the potential to weaken incentives for government action to address problem gambling, since such efforts could substantially reduce revenue.

- It has the potential to affect decisions about gambling regulations, such as those designed to reduce high levels of spending by individual gamblers (e.g., setting low bet limits).

Although the proportion of revenue derived from problem gamblers is an important public policy issue, accurately estimating it is difficult for a number of reasons. For example:

- A bias in some screening instruments may lead to an overestimate of the prevalence of problem gambling (e.g., the South Oaks Gambling Screen – see sidebar “*Problem*” and “*Pathological*” Gambling in Chapter 1).
- The sampling limitations inherent in telephone-based population surveys, which may lead to an under-sampling of problem gamblers and an underestimate of problem gambling prevalence in BC. Both face-to-face and self-administered surveys have been found to produce more valid results than telephone surveys for sensitive behaviours such as problem gambling.⁶¹
- Gamblers do not always disclose their true gambling patterns (e.g., winnings and losses). Studies in Australia, New Zealand, and the United States have demonstrated sizeable differences between the amounts gamblers claimed to have spent and the amounts reported as revenue by government and industry.⁶²

As a result of these factors, when self-reported spending on gambling is aggregated across the population, it often does not equate with actual revenue from gaming.⁶³

While estimates of the proportion of revenue derived from problem gamblers vary based on the methods used and when and where the data were collected, several conclusions can be drawn from available research. First, it is clear that the proportion of revenue

ⁿ 2007 estimate of BC population age 18 and up (3,453,948) x percentage of the population age 18 and up that are moderate-risk or problem gamblers (0.046) = 158,882 moderate-risk and problem gamblers in BC. Population estimate age 18 and up was obtained from the BC Stats website.⁵⁹

Table 4.4

Comparison of Estimates of the Proportion of Revenue Derived from Problem Gamblers, Canadian and International Jurisdictions			
Jurisdiction(s)	Prevalence of Problem Gamblers in Population (Screening Instrument Used)	Proportion of Revenue Derived from Problem Gamblers	Ratio
British Columbia ⁶²	4.6% (CPGI)	26%	5.7
Alberta ⁶²	5.2% (CPGI)	31%	6.0
Ontario ⁶³	4.8% (CPGI)	36%	7.5
Canada (Provincial Average) ^{62,63}	4.2% (CPGI)	32% (using weighted data; otherwise 23%)	7.6
United States (4 States) and Canada (3 Provinces) ⁶⁹	N/A (SOGS)	30% (ranging from 23% to 41%)	N/A
United States ⁶⁸	0.5% (DSM-IV)	15%	30
Australia ¹⁰⁵	4.9% (SOGS)	33%	6.7
Australia ⁶	N/A (CPGI) (for electronic gaming machine players only)	60% (41% for severe problem EGM gamblers, 19% for moderate problem EGM gamblers)	N/A
New Zealand ⁶⁰	1.3% (SOGS)	19%	14.6

Note: Ratio calculated as proportion of revenue over prevalence of problem gamblers. Canada (Provincial Average) excludes Newfoundland and Labrador, for which data were not available. CPGI = Canadian Problem Gambling Index; SOGS = South Oaks Gambling Screen; DSM-IV = *Diagnostic and Statistical Manual of Mental Disorders*, Fourth Edition. Problem gambling is defined as meeting three or more of the DSM-IV criteria for pathological gambling in the past year (United States), having a SOGS score of three or more in the past six months (New Zealand), or having a CPGI or SOGS score of three or higher in the past year (all other jurisdictions).

Source: Adapted from Williams R, Wood R. 2004. The proportion of gaming revenue derived from problem gamblers: Examining the issues in a Canadian context. *Analyses of Social Issues and Public Policy*.⁶²

derived from problem gamblers is much higher than the prevalence of problem gamblers. As shown in Table 4.4, the ratio for the proportion of revenue derived from problem gamblers compared to the prevalence of problem gamblers varies from a high of 30⁶⁸ to a low of 5.7.⁶² Second, the proportion of revenue derived from problem gamblers varies substantially based on game type.^{6,62,63} More specifically, the proportion of revenue from problem gamblers is generally lower for lotteries, instant-win tickets, bingo, and raffles, while it is generally higher for EGMs. Finally, findings from several studies^{6,62,63,69,70,105} indicate that the proportion of revenue differs based on the severity of the gambling problem, with more severe problem gamblers accounting for much more revenue than moderate problem gamblers (e.g., 41 per cent versus 19 per cent in the case of the 2010 Australian Productivity Commission study).⁶ This inequity persists even though in all the study populations there were several times more moderate problem gamblers than severe problem or pathological gamblers.

Gambling-Related Harms and Costs

Unlike the case of gambling-related revenue, BC does not regularly assemble data on the social and economic harms and costs of gambling. This is partly a methodological issue because, unlike other social issues like problem drinking, accepted methods of comprehensively assessing gambling-related social costs have not yet been developed.⁷¹ For example, in the case of problem drinking, alcohol-attributable fractions are used to assign portions of certain health and social harms from alcohol (e.g., cancer, liver cirrhosis, crime), so that the total harms and costs of risky drinking can be estimated across all types of known harm.⁷²

Further, as discussed in the section on the social and economic impacts of gambling earlier in this report, many of the costs associated with gambling are non-monetary, and attempts to transform them into monetary terms can lead to serious under- or over-estimates, depending on the assumptions made. While the lack of accepted methodology for assessing the harms from gambling makes it difficult to compare the direct costs and benefits of gambling, evidence of health, social, and economic harms and costs should be considered.



“Gamblers do not always disclose their true gambling patterns. Studies have demonstrated sizeable differences between the amounts gamblers claimed to have spent and the amounts reported as revenue by government and industry.”

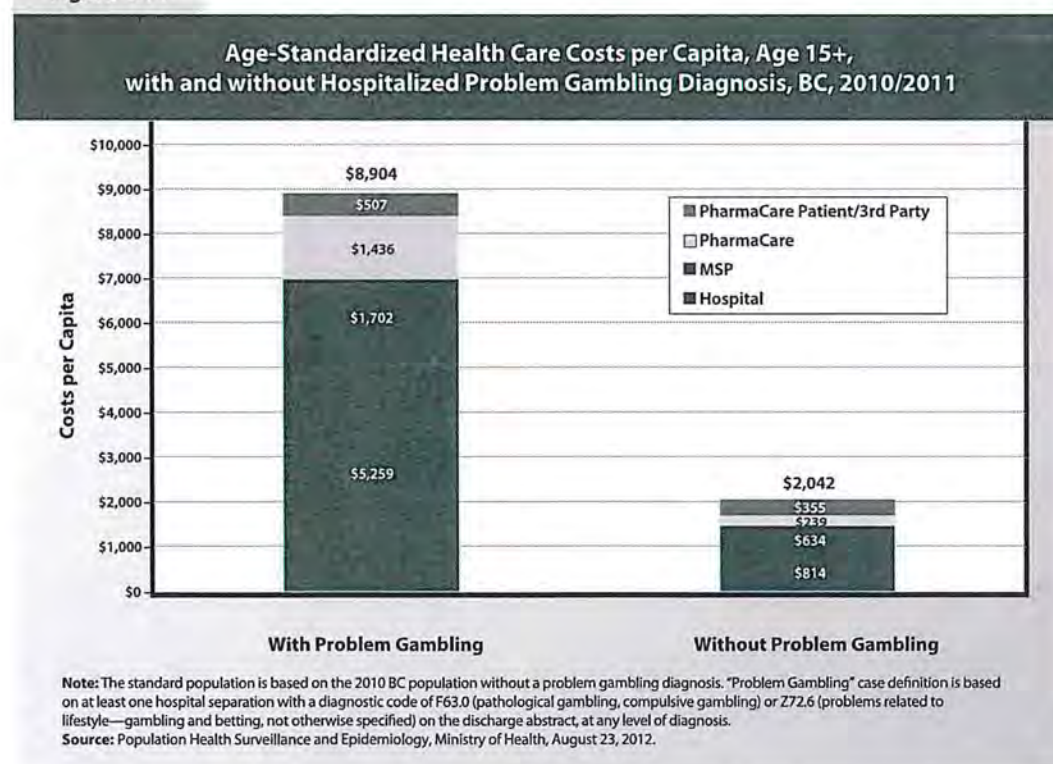
Economic Costs

A crude estimate of the excess health care costs associated with problem gambling can be made through an examination of related Ministry of Health administrative datasets. Using this information, a total of 257 unique cases of problem gambling⁹ were identified within the BC medical system between 2000/2001 and 2010/2011.⁷³ The average incidence was 26 cases per year. As discussed earlier regarding the assessment of problem gambling prevalence through hospitalization discharge data, these numbers refer only to hospitalized patients, and thus, are likely a substantial underrepresentation of true prevalence. Figure 4.14 compares the 2010/2011 average annual per capita health care costs of problem gambling cases with the average per capita costs for

all patients who were not diagnosed with problem gambling. It was estimated that, on average, problem gamblers incur more than four times the medical-related expenses than patients who are not diagnosed with this condition. This translates into an average excess medical cost of \$6,862 per problem gambler per year in BC. The medical costs of patients with a problem gambling diagnosis are particularly disproportionate for hospital and PharmaCare costs.

Factoring this estimated excess cost with the total estimate of problem gamblers in the province in 2011 (based on the 2007 CPGI prevalence estimate shown in Figure 4.9 of 0.9 per cent of the population age 18 and up), the total excess health care cost is estimated at \$230 million for 2011.^P This is just over 1 per cent of the 2010/2011

Figure 4.14



⁹ In this context, "problem gambling" includes only hospitalized individuals with an ICD-10 diagnosis of either F63.0 (pathological gambling, compulsive gambling) or Z72.6 (problems related to lifestyle—gambling and betting, not otherwise specified).

^P 2011 estimate of BC population age 18 and up (3,728,596) x percentage of the population age 18 and up that are problem gamblers (0.9 per cent or 0.009) = 33,557 problem gamblers age 18 and up in BC. Approximate number of problem gamblers (33,557) x estimated excess health care costs per capita (\$6,862) = total estimated excess health care costs of \$230,268,134 per year. Population estimate age 18 and up was obtained from the BC Stats website.⁵⁹

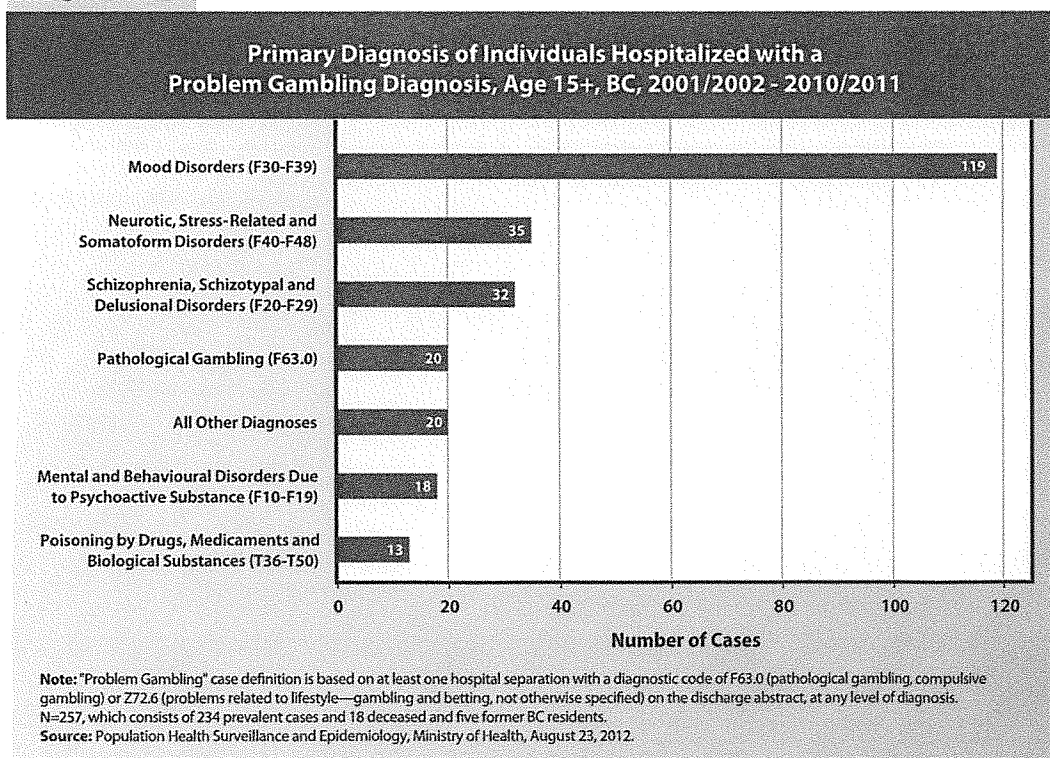


provincial health budget. It is also equivalent to approximately 21 per cent of net government gaming revenue for that fiscal year (\$1.106 billion). It is unlikely that all problem gamblers share the same health conditions and concerns as those who have presented to the medical system, and other factors may also reduce or contribute to these costs. Therefore, this estimate is not a perfect measure of the excess costs of problem gamblers to the medical system, but it does provide a general sense of the magnitude of related costs.

Social and Health-Related Harms

Analyses of individuals hospitalized with a diagnosis of problem gambling indicate that these cases suffer from a serious burden of mental health problems. Among the cases shown in Figure 4.15, of individuals hospitalized with a problem gambling diagnosis, the most common primary diagnosis by far was mood disorders (F30-39) at 119 cases (46 per cent), followed by neurotic, stress-related and somatoform disorders (F40-48) at

Figure 4.15



35 cases (14 per cent), and schizophrenia, schizotypal and delusional disorders (F20-29) at 32 cases (12 per cent). Twenty cases (8 per cent) had a primary diagnosis of pathological gambling (F63.0).

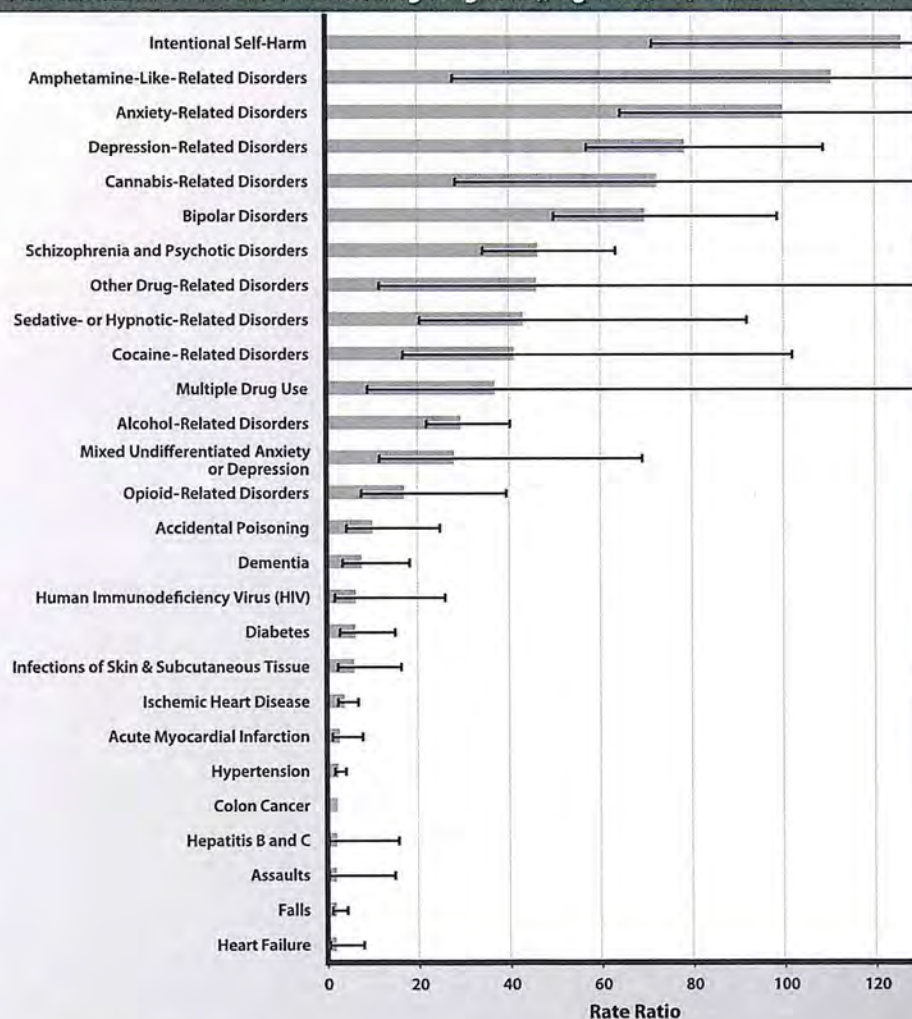
As shown in Figure 4.16, age-standardized hospital co-morbidity rates and rate ratios demonstrate that problem gambling cases are significantly more likely than non-cases in the population to be hospitalized with conditions related to mental illness or problematic substance use, as well as other health conditions. These data corroborate

the findings in Figure 4.15 that individuals diagnosed with gambling problems suffer from a considerable mental health burden. For a more detailed representation of the co-morbidity rates and rate ratios depicted in Figure 4.16, see Appendix B.

Research also shows that gambling can result in many negative personal consequences, including unemployment, crime, mental illness, and marital breakdown. In addition to these consequences to individuals and families, these elements can have a negative impact on Canada's social structure.⁶²

Figure 4.16

Age-Standardized Co-Morbidity Rate Ratios (Rate of Co-Morbidity of Persons with a Problem Gambling Diagnosis, Over the Rate of Co-Morbidity of Persons without a Problem Gambling Diagnosis), Age 15+, BC, 2006/2007 - 2010/2011



Note: "Problem Gambling" case definition is based on at least one hospital separation with a diagnostic code of F63.0 (pathological gambling, compulsive gambling) or Z72.6 (problems related to lifestyle—gambling and betting, not otherwise specified) on the discharge abstract, at any level of diagnosis. For 2001/2002 - 2010/2011, N=257, which consists of 234 prevalent cases and 18 deceased and five former BC residents. Confidence intervals that exceed the axis of this chart can be found in Appendix B.

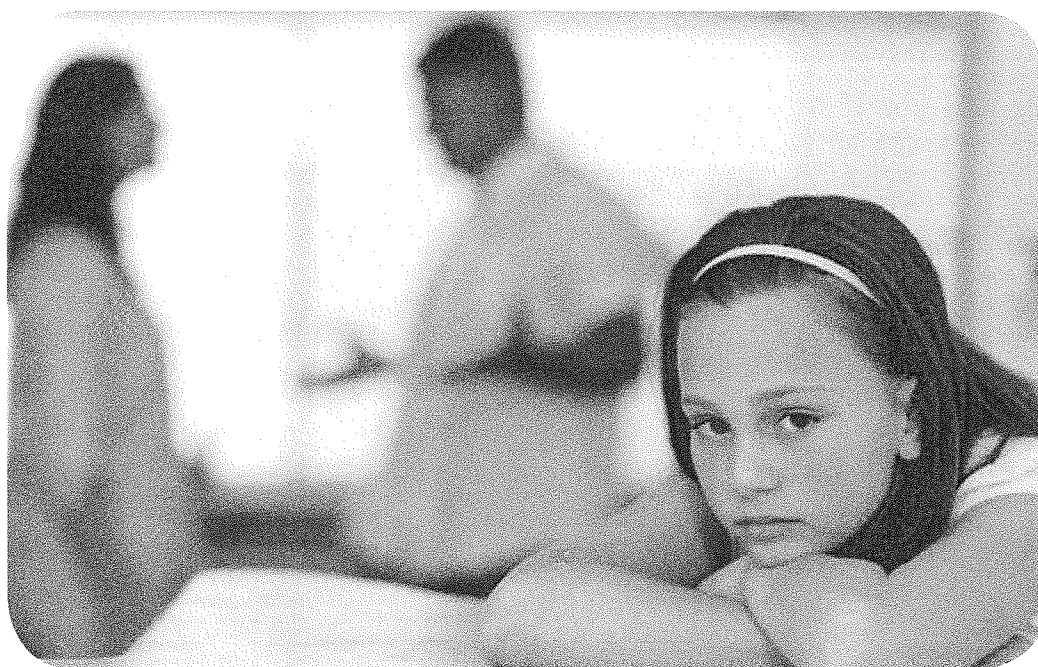
Source: Population Health Surveillance and Epidemiology, Ministry of Health, August 23, 2012.

In their review of literature regarding the impacts of gambling, Williams et al.⁷ found that those who were heavily involved in gambling (who are often problem gamblers) were more likely to have low satisfaction with life and poorer mental health than those not heavily involved in gambling. Further, the researchers note that non-gamblers report higher levels of happiness than gamblers.

Research also highlights that problem gamblers often have partners and/or children, which can lead to negative impacts that extend beyond problem gamblers themselves.⁷ About one in seven British Columbians (14.3 per cent) who participated in a 2007 BC Problem Gambling Prevalence Study reported that they had experienced problems as a result of someone else's gambling. Interestingly, problem gamblers were more likely than non-problem gamblers to report that they had experienced problems as a result of someone else's gambling.⁸

At a community level, gambling can have positive or negative implications. Positive benefits may include an enhanced tourist industry and increased profit for related businesses, while negative impacts may include greater reliance on local gambling,

and related reductions in profits for other (non-gambling-related) businesses. A casino introduced in Windsor, Ontario, was designed to attract nearby American consumers in the 1990s, but changes in border and passport requirements, a higher Canadian dollar, and new casinos on the American side of the border in Detroit negatively impacted the revenue seen from the casino.⁷⁴ The economic changes in the last 10 years have also resulted in layoffs. While many local business owners claim that the casino has diverted money toward gambling and away from other businesses, the municipal government maintains that the casino has resulted in a positive impact on the community, reducing the potentially larger negative impacts of the recession.⁷⁵ Subsequently, in 1996, Niagara Falls, Ontario, opened a casino designed to attract additional tourists from the United States. The casino also attracted local residents, resulting in increased local spending on gambling. These funds were diverted from other forms of entertainment in the community, and the positive gains seen by increased tourism were offset by this diversion of local spending. In addition, self-reports of gambling-related problems, along with reports of friends and family with gambling-related problems, increased significantly after the casino opened.⁷⁶



Summary

Game availability, gaming revenue, and the number of people gambling have all increased substantially in recent years in Canada. Yet in BC, fewer people are gambling. BC receives more than the national average in gaming revenue, yet spends the lowest amount of gaming revenue per capita age 18 and up on problem gambling compared to other provinces examined. Evidence also shows that while gambling participation is declining, gaming revenue has increased, meaning that more revenue appears to be coming from fewer gamblers. This may be attributable to the increase in EGMs in BC,

an especially problematic gaming type, which has increased by 210 per cent over the last nine years. Self-reported problem gambling appears to be on the rise in BC; a trend that the limited data available suggest may be reflected in hospital admissions. The impacts of this increase in problem gambling are both economic and social. Economic impacts include the high medical costs attributed to problem gamblers. Social costs include a high incidence of co-morbidity with mental illness, along with divorce, crime, unemployment, and other difficulties. The next chapter presents promising practices for preventing and treating problem gambling, and describes related responses and initiatives in BC and Canada.

Promising Practices for Reducing Gambling-Related Harms and Costs

Promising Practices for Preventing and Treating Problem Gambling

Research about how to prevent and treat problem gambling is ongoing; however, several best or promising practices have become evident.

Preventing Problem Gambling

Numerous promising practices for reducing the incidence of problem gambling have been identified through research and practice. The sidebar *Best Practices to Prevent Problem Gambling* provides an overview of best practices derived from related research. Table 5.1 presents a list of problem gambling prevention initiatives, including assessments of their general effectiveness. As shown in this table, BC currently uses many problem gambling prevention initiatives. The table also shows opportunities for adding or revising prevention initiatives in BC, since some of the programs and policies in BC are not supported by evidence, while other policies that have demonstrated “moderate” or “moderately high” effectiveness are not yet used in BC.

Best Practices to Prevent Problem Gambling

1. Strive for optimal design and evaluation of new problem gambling prevention initiatives.
2. Recognize that effective prevention involves decreased revenue and may cause some inconvenience to non-problem gamblers.
3. Employ and coordinate a wide array of educational and policy initiatives (see Table 5.1 for a comprehensive menu).
4. Decrease the general availability of gambling.
5. Eliminate, reduce, and/or constrain higher-risk forms of gambling (e.g., electronic gaming machines and Internet gambling).
6. Eliminate reward and/or loyalty cards or use them to collect information to help foster responsible gambling and identify problem gamblers.
7. Restrict who is eligible to gamble (e.g., raise the legal gambling age).
8. Restrict the use of tobacco and alcohol while gambling.
9. Restrict access to money while gambling (e.g., remove or limit the number of ATM machines in casinos).
10. Impart responsible gambling knowledge, attitudes, and skills to gamblers.
11. Keep prevention initiatives in place for a sustained period.⁷⁷

Table 5.1

Problem Gambling Prevention Initiatives with Estimates of Effectiveness					
	Present in BC	Estimated Effectiveness			
		Moderately High	Moderate	Moderately Low	Low
AWARENESS AND EDUCATIONAL INITIATIVES					
Childhood (upstream) interventions to address risk/protective factors	X	X			
Information/awareness campaigns	X			X	
On-site information/counselling centres	X			X	
Statistical instruction*	X			X	
School-based prevention programs	X		?		
POLICY INITIATIVES					
Restrictions on the general availability of gambling		X [†]			
Restricting the number of gambling venues		X [†]			
Restricting more harmful types of gambling	X ^{††}	X [†]			
Restricting the location of gambling venues		X			
Limiting the number of gambling formats			?		
Restricting gambling to dedicated gambling venues	X		?		
Limiting gambling venue hours of operation				? [†]	
Restrictions on who can gamble			?		
Increasing legal age for gambling			X		
Self-exclusion programs	X			X	
Restricting venue entry to non-residents		?			
Prohibition of youth gambling	X		?		
Restricting venue entry to higher socio-economic classes			?		
Restrictions on or modifications of how gambling is provided			X		
Modifying electronic gaming machine parameters**				X	
Restricting concurrent use of alcohol and tobacco	X ^{†††}	X			
Mandatory player pre-commitment***			X		
Automated or mandated interventions for moderate-risk gamblers			X		
Government provision of gambling	X		X		
Restricting advertising	X			X	
Operator-imposed maximum loss limits	X	?			
Eliminating reward/loyalty cards or changing their parameters			?		
Restricting access to money			?		
Increasing the cost of gambling				?	
Problem gambling training for employees of gambling venues	X			?	
Gambling venue design	X				?

* Statistical instruction is designed to increase knowledge of the probabilities involved in gambling.

** Modifications may include decreasing maximum bet and win size, reducing speed of play, reducing frequency of play, not conveying near misses, reducing number of betting lines, eliminating bill acceptors, reducing the interactive nature of electronic gaming machines, presenting responsible gambling pop-up messages between plays, and removing any integrated seating on machines.

*** Player pre-commitment is when, prior to playing, a player sets limits on time, frequency, or money to spend on gambling.

† If the reductions in availability and time are substantial.

†† BC and Ontario are the only two provinces that do not have video lottery terminals; however, BC does have substantial and increasing numbers of slot machines, electronic casino tables, electronic Keno, electronic bingo machines, and Internet-based gambling.

††† Smoking is prohibited in all casinos and community gaming centres in BC.

Note: "?" indicates insufficient evidence of effectiveness to identify as a best practice.

Source: Williams R, West B, Simpson R. 2012. *Prevention of Problem Gambling: A Comprehensive Review of the Evidence and Identified Best Practices*. BC data compiled by the Centre for Addictions Research of BC, 2013.

The Australian Productivity Commission proposes that since problem gamblers account for a large share of gambling revenue, gambling regulations should prioritize harm reduction for these players over any potential inconvenience to recreational players. Therefore, proponents of higher-risk forms of gambling should be responsible for proving that such forms do not cause harm to problem gamblers. Additionally, evidence-based policy decisions should not focus on whether reducing bet limits will inconvenience non-problem gamblers, but whether higher betting limits are safer for all players.⁷⁸

Treating Problem Gamblers

Research into effective problem gambling treatment is still evolving. According to multiple review articles, the strongest evidence of effectiveness exists for psychological and cognitive behavioural interventions, many of which have been adapted from alcohol and drug treatment programs.^{79,80,81,82} These include cognitive behavioural therapy, psychoanalytical and psychodynamic treatments, and motivational interviewing.^{81,82,83} Other treatment modalities that have more limited evidence of effectiveness include self-help treatments,⁸⁴ pharmacotherapies,^{85,86} Internet-based therapies for youth,⁸⁷ brief interventions (most effective for moderate-risk gamblers), Gamblers Anonymous, family-based therapy,⁸² and mindfulness-based treatment.⁸⁸

One issue consistently raised in the literature on treatment for problem gambling is the difficulty in engaging problem gamblers in treatment even when free, publicly-funded treatment is available.⁸⁹ Data from BC highlight this difficulty. In 2011, there were an estimated 171,515 moderate-risk and problem gamblers in BC.⁹ However, in 2010/2011, only 2,034 individuals received counselling for problem gambling through

provincial programming. This means that just over 1 per cent of all problem gamblers in the province received specialized treatment through the publicly-funded treatment system.¹⁴

The problem of identifying and engaging problem gamblers in treatment mirrors a similar problem in the realm of problematic substance use, where only a small proportion of those who presumably could benefit from treatment actually seek out and engage with treatment services. It also highlights the importance of certain promising practices for the treatment of problem gambling, such as training staff in gambling venues to recognize and proactively assist problem gamblers. Research from Europe shows that training staff to identify patrons who may be experiencing difficulty with their gambling, and encouraging and requiring staff to intervene when such identifications are made, can lead to increases in successful referrals to treatment and reductions in problem gambling over time.⁷⁷ Another recommended approach to increase identification and engagement of problem gamblers is to use data collected from loyalty or reward card programs to track patterns of gambling at the individual level and intervene when potentially problematic patterns of play are detected.⁷⁷

Overview of Canada's Response to Problem Gambling

Government efforts to address problem gambling take four major forms: (1) awareness and education initiatives to prevent new cases of problem gambling; (2) research programs to improve understanding of the causes and consequences of problem gambling; (3) policy interventions designed to prevent problem gambling and make gambling safer for the population; and (4) treatment programs to assist those already experiencing gambling problems.

⁹ 2011 estimate of BC population age 18 and up (3,728,596) x percentage of the population age 18 and up that are moderate-risk or problem gamblers (0.046) = 171,515 moderate-risk and problem gamblers in BC. Population estimate age 18 and up was obtained from the BC Stats website.⁵⁹

Funding for Problem Gambling Programs in Canada, 2011/2012



In 1993, the Canadian Public Health Association passed a resolution calling for a national assessment of gambling-related harms and costs. In the same year, New Brunswick and Alberta introduced the first publicly-funded problem gambling treatment programs in Canada. By 2002/2003, all provincial governments offered some form of publicly-funded treatment, and total government spending to address problem gambling had grown to \$3.31 million across Canada. This represented an average of 0.87 per cent of gross government revenue from gaming in that year.³¹

Between 2002/2003 and 2011/2012, spending to address the harms from gambling grew dramatically across Canada, from \$3.31 million to \$113.2 million. While this is a large dollar amount, it represents only a small increase in the percentage, from 0.87 per cent in 2002/2003 to 1.45 per cent of total government revenue from gaming in 2011/2012.²⁹ During this time period, treatment programs to address problem gambling were augmented with a variety of responsible gambling initiatives designed to prevent new cases of problem gambling, including public awareness campaigns, educational initiatives, and voluntary self-exclusion programs. In 2011/2012, total expenditures to treat problem gambling were \$84.2 million across Canada, while total expenditures for responsible gaming initiatives to prevent problem gambling were \$29.0 million.²⁹

Responsible Gaming and Problem Gambling Initiatives in BC

According to the Canadian Partnership for Responsible Gambling (CPRG), “problem gambling” initiatives generally refer to those funded by government health ministries and departments, while “responsible gaming” initiatives generally include those initiated by the government gaming industry (e.g., Crown corporations), such as self-exclusion programs, casino staff training and on-site information materials.¹⁴ The CPRG notes that there may be overlap between these two categories. This is the case in BC, where the provincial government’s Gaming Policy and Enforcement Branch oversees both responsible gaming initiatives (e.g., BC’s Responsible Gambling Strategy) and problem gambling services (e.g., BC’s Problem Gambling Program and all publicly-funded treatment programs) under the umbrella of the BC Responsible and Problem Gambling Program.^{90,91}

The BC government first introduced its Responsible Gambling Strategy in 2003. The main goals of the current strategy, *BC’s Responsible Gambling Strategy and Three Year Plan (2011/12–2013/14)*, are to create public awareness of the risks associated with gambling, to deliver gambling in a manner that encourages responsible gaming and informed choice, and to provide free treatment and support to those impacted by problem gambling.⁹⁰ This strategy encourages gaming facilities and their local host governments to “seek opportunities to enhance responsible gambling programs.” This strategy also involves the BC Lottery Corporation (BCLC), which is responsible for “retail, internet, and facilities-based responsible gambling programs.”⁹⁰ These programs—typically integrated into BCLC’s gambling promotion and marketing efforts—include GameSense, as well as the province’s Voluntary Self-Exclusion (VSE) Program,



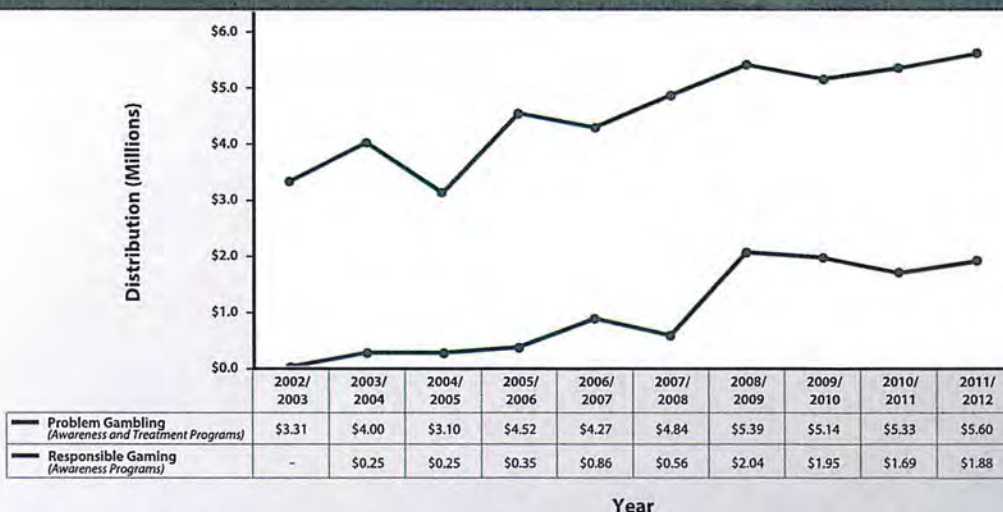
which allows gamblers to exclude themselves from casinos, community gaming centres, and the *PlayNow.com* website.

Trends in total distributions to both problem gambling and responsible gaming initiatives are presented in Figure 5.1. These data show that total distributions to prevent and address problem gambling jumped from previous years up to \$7.43 million in

2008/2009; however, some of this increase likely results from beginning to incorporate distributions to marketing and promotion in the number reported (since responsible gaming messaging is incorporated into related advertising). Since that time, there has been a small increase in distributions to problem gambling and a small decrease in distributions to responsible gaming, to \$5.60 million and \$1.88 million, respectively, in 2011/2012.²⁹

Figure 5.1

Distributions to Problem Gambling and Responsible Gaming Programs, BC, 2002/2003 to 2011/2012



Note: Numbers for responsible gaming (awareness programs) should be interpreted with caution, as distributions 2008/2009 and later reflect incorporation of funding for marketing and promotion that includes responsible gaming messaging. "Problem gambling" initiatives generally refer to those funded by government health ministries and departments, while "responsible gaming" initiatives generally include those initiated by the government gaming industry. However, BC has some overlap between these initiatives, where the provincial government's Gaming Policy and Enforcement Branch oversees both responsible gaming initiatives and problem gambling services under the umbrella of the BC Responsible and Problem Gambling Program. A "-" indicates that data were unavailable for that year.

Source: Canadian Partnership for Responsible Gambling, 2004-2013. *Canadian Gambling Digest 2002-2003 to 2011-2012*. Data compiled by the Centre for Addictions Research of BC, 2013; prepared by Public Health Planning and Surveillance and the Office of the Provincial Health Officer, Ministry of Health, June 2013.

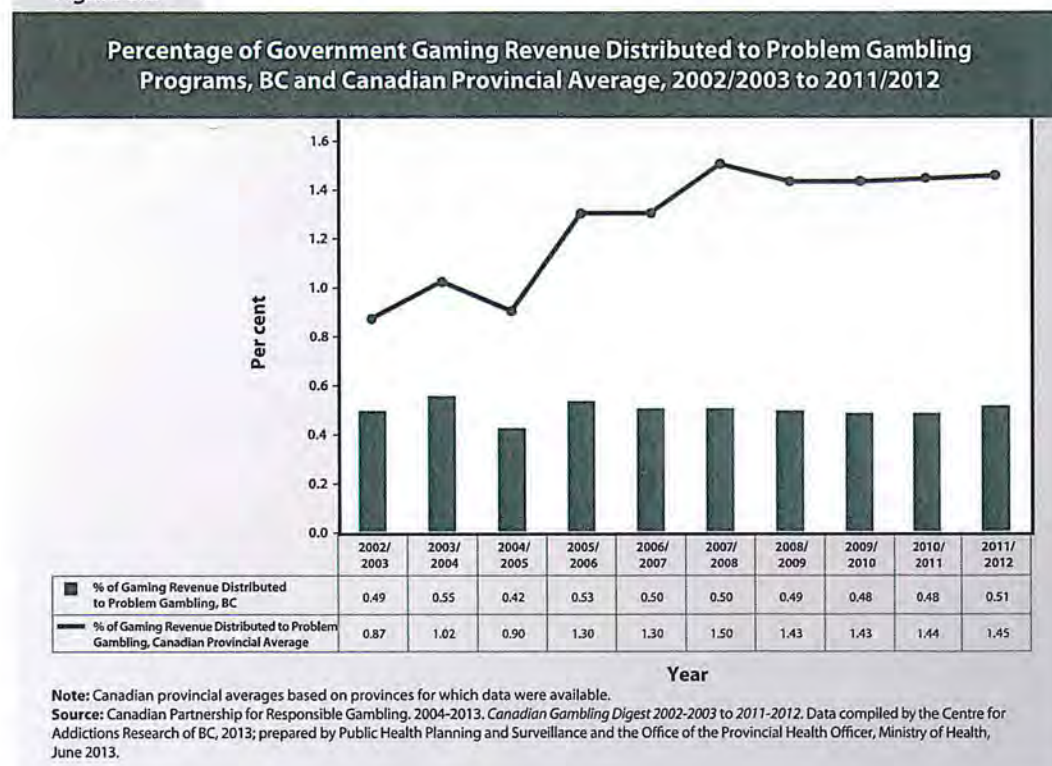
As shown in Figures 5.2 and 5.3, BC consistently spent less than the Canadian provincial average on problem gambling from 2002/2003 to 2011/2012. This holds true for the percentage of gaming revenue distributed to problem gambling programs, which has averaged 0.50 per cent for BC, compared to the Canadian provincial average of 1.25 per cent (see Figure 5.2). It is also true with regard to per capita expenditures for those age 18 and up, which averaged \$1.30 for BC, but \$3.33 for Canada, between 2002/2003 and 2011/2012 (see Figure 5.3).

British Columbia's Problem Gambling Prevention Initiatives

As shown earlier in Table 5.1, the BC Gaming Policy and Enforcement Branch and the BCLC have implemented a number

of initiatives designed to prevent problem gambling, some of which are identified in the literature as promising practices. BC funds educational prevention initiatives, including childhood (upstream) interventions such as the Children First Regional Initiative and StrongStart BC, which help to enhance protective factors and reduce risk factors⁹² that can predispose certain people to addictive behaviours such as problem gambling. While these programs are not directly connected to problem gambling prevention efforts, they likely contribute to efforts to prevent problem gambling across the population by enhancing protective factors and mitigating risk factors for children growing up in BC. These types of upstream interventions are rated as moderately high in effectiveness for preventing problem gambling and other social problems (e.g., problematic substance use) based on a recent review of

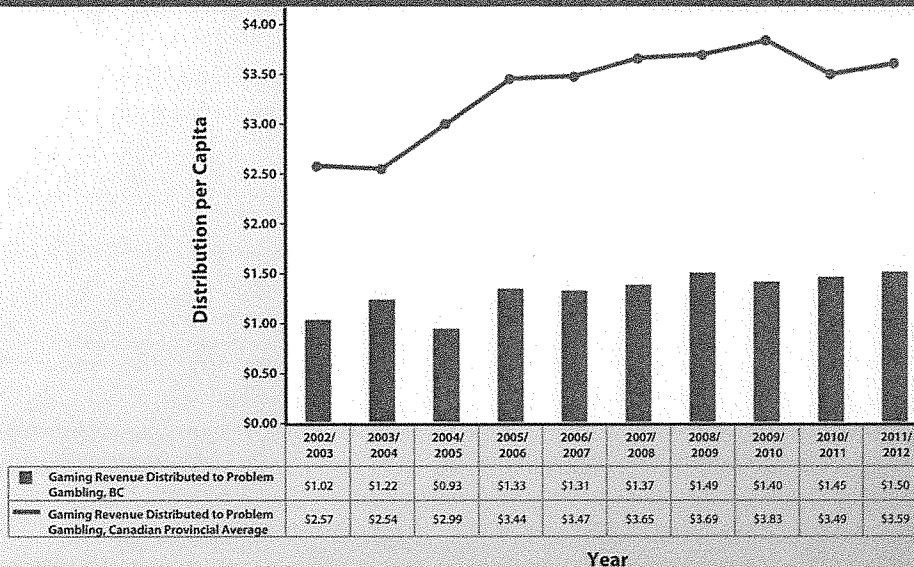
Figure 5.2



⁹² Risk factors for problem gambling are circumstances or conditions that make it more likely that a person will eventually become a problem gambler, and can include poor coping strategies, problems at school, and having peers or family members with gambling problems. Protective factors that can mitigate risk include school connectedness and family cohesion.

Figure 5.3

Gaming Revenue Distributed to Problem Gambling Programs per Capita, Age 18+, BC and Canadian Provincial Average, 2002/2003 to 2011/2012



Note: Canadian provincial averages based on provinces for which data were available.

Source: Canadian Partnership for Responsible Gambling, 2004-2013. *Canadian Gambling Digest 2002-2003 to 2011-2012*. Data compiled by the Centre for Addictions Research of BC, 2013; prepared by Public Health Planning and Surveillance and the Office of the Provincial Health Officer, Ministry of Health, June 2013.

the literature.⁷⁷ Other educational initiatives funded by the province include problem gambling public information and awareness campaigns; on-site prevention staff and responsible gaming information centres in gambling venues; and information campaigns that provide, among other things, statistical instruction for gamblers.⁵ All of these initiatives are rated as moderate or moderately low in effectiveness.⁷⁷

The province also delivers a series of problem gambling prevention programs, including programming for elementary, middle school, high school, and post-secondary (college and university) students. For example, the Gam_iQ program (see sidebar *Gam_iQ*) provides students with information about responsible and problem gambling.⁹⁵ School-based educational programs of this type have not been identified as a best or promising practice due to limited evaluation research. While evaluation data are collected on Gam_iQ and similar programs in BC, reports on these data have not yet been produced.⁹⁶

Gam_iQ

Gam_iQ is a free program delivered to students in BC through the BC Responsible and Problem Gambling Program.

The stated goals of the Gam_iQ program are to

- Promote informed choices about gambling by educating students about the risks involved.
- Correct common myths about gambling.
- Provide tips on how to gamble responsibly, if choosing to gamble (for post-secondary students only).
- Describe the signs of problem gambling.
- Inform students of the resources and services available in BC for gambling-related problems.^{93,94}



⁵ Statistical instruction is designed to increase knowledge of the probabilities involved in gambling.

The VSE Program has been in place in BC since 1999, with the number of new registrants fluctuating between 4,000 and 5,500 per year since 2007/2008. The BCLC recently completed a review of best practices for voluntary self-exclusion programs⁹⁷ and also implemented an assessment of its VSE Program.⁵⁶ These reviews recommended several changes to the program, some of which have been implemented. For example, in 2010, the province changed the operation of the VSE Program so that it could withhold jackpots won by program registrants. Since its inception, the holdback program has withheld at least \$1.21 million, which is being used to fund gambling-related research projects as determined by the BCLC and the Gaming Policy and Enforcement Branch. The provincial government currently has plans to implement a third (and more extensive) problem gambling prevalence survey in 2013/2014. The government also recently announced a \$2 million grant to the Department of Psychology at the University of British Columbia to create the BC

Centre for Gambling Research (see sidebar *The University of British Columbia's Centre for Gambling Research*). Other promising practices include assessing the risk of new games,⁹⁸ prohibiting the use of tobacco in gambling venues,⁹⁹ and government provisioning of most forms of gambling (bingo and horse racing are the exceptions). As shown in Table 5.1, the effectiveness of these policies and programs for preventing problem gambling ranges from moderately high for the video lottery terminal and smoking bans,^v to moderate for government provisioning of gambling, to moderately low for voluntary self-exclusion programs.⁷⁷

Other problem gambling prevention policies implemented by the province include the policy of restricting several forms of gambling to dedicated gaming facilities (i.e., casinos, community gaming centres), prohibition of youth gambling, a government-imposed maximum loss limit of \$10,000 per week on the *Playnow.com* website, problem gambling identification and response training for staff in gaming facilities, and adjustments to venue design to reduce risk. Venue restrictions can include requiring that clocks be prominently displayed throughout the venue. This is significant because problem gambling is associated with “difficulties in limiting time and/or money spent on gambling,”¹⁰¹ so clocks in venues can help prevent gamblers from “losing track of time.” These policies and programs range in estimated effectiveness from moderate to moderately low (see Table 5.1). The province’s *PlayNow.com* website provides access to all major forms of gambling (poker, slot machines, bingo, and lotteries); while the site has age-verification protocols in place to restrict who can gamble, the availability of Internet gambling 24 hours a day, seven days a week, means that some of the benefits of restricting gambling to dedicated facilities

The University of British Columbia's Centre for Gambling Research

The University of British Columbia (UBC) is establishing a new Centre for Gambling Research, intended to increase understanding of and help to reduce problem gambling behaviours. The Centre will be housed in the UBC Department of Psychology, and will “study the social and behavioural aspects of gambling, provide evidence-based support for improved gaming policy and programs, and strengthen training for prevention professionals.”¹⁰⁰

Funding of \$2 million for the Centre was provided by BCLC and the provincial government, and was announced in February 2013. The Centre is expected to open in late 2013, and will be independent of BCLC and the gaming industry.¹⁰⁰

ⁱ BCLC has assessed various games to determine level of risk associated with game design using the GAM-GaRD protocol (an addiction risk assessment tool). As of June 2012, over 40 proposed new games had been assessed using the protocol in BC; the majority of these (29) were assessed as low- or moderate-risk, and 11 were assessed as high-risk.

^u Research suggests that although smokers are no more likely to gamble than non-smokers, smokers who do gamble spend more than twice the amount spent by non-smokers. Smoking bans in gaming venues may therefore interrupt problem gambling behaviour, and/or serve as a disincentive for smokers to visit gaming venues.

^v The effectiveness of smoking bans is only shown to be moderately high when the ban prohibits concurrent smoking and drinking.



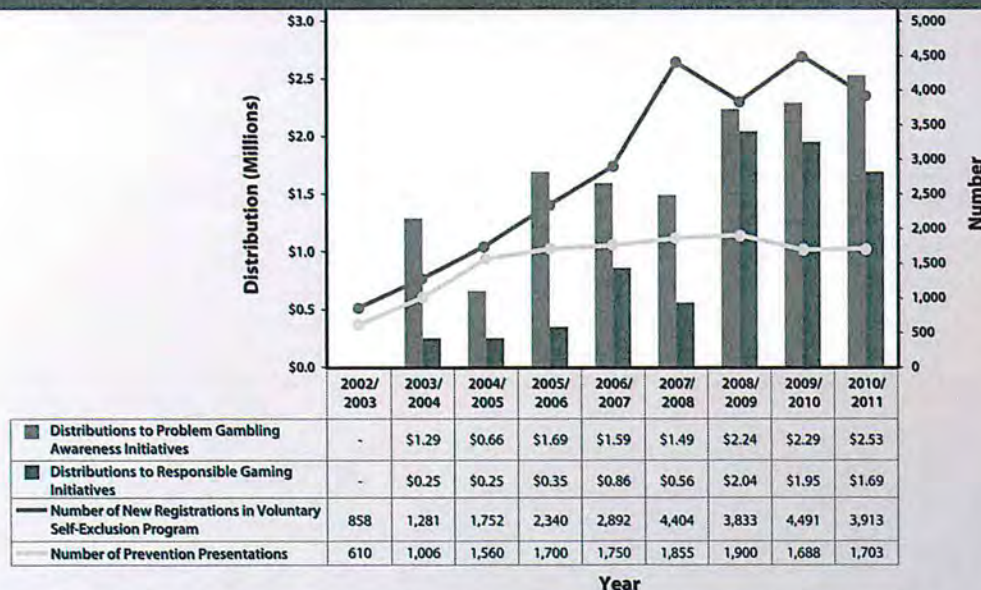
and limiting their hours of operation may be compromised.

Figure 5.4 provides more data on problem gambling prevention initiatives and capacity in BC from 2002/2003 to 2010/2011. Several trends are apparent in this figure. First, distributions to responsible gaming have increased significantly over time from \$250,000 in 2003/2004 to \$1.69 million

in 2010/2011. This increase should be interpreted with caution, as distributions in 2008/2009 and beyond incorporate funding for marketing and promotion that includes responsible gaming messaging. Distributions to problem gambling awareness have also increased, from \$1.29 million in 2003/2004 to \$2.53 million in 2010/2011. Second, the number of prevention presentations (community-based presentations and training sessions intended to raise awareness of problem gambling and promote responsible gaming behaviours) has fluctuated over time from a low of 610 in 2002/2003 to a high of 1,900 in 2008/2009. These include presentations to students in various age groups, as well as programming delivered to parents, older adults, Aboriginal peoples, and other groups.¹⁰² These increases have followed the trend of the number of registrants in the VSE Program,

Figure 5.4

Distributions to Prevention Initiatives, and Number of Prevention Presentations and New Program Registrations, BC, 2002/2003 to 2010/2011



Note: Numbers for responsible gaming should be interpreted with caution, as distributions 2008/2009 and later reflect incorporation of funding for marketing and promotion that includes responsible gaming messaging. "Prevention presentations" are community-based presentations and training sessions intended to raise awareness of problem gambling and promote responsible gaming. "Problem gambling" initiatives generally refer to those funded by government health ministries and departments, while "responsible gaming" initiatives generally include those initiated by the government gaming industry. However, BC has some overlap between these initiatives, where the provincial government's Gaming Policy and Enforcement Branch oversees both responsible gaming initiatives and problem gambling services under the umbrella of the BC Responsible and Problem Gambling Program. A "-" indicates that data were unavailable for that year.

Source: Canadian Partnership for Responsible Gambling, 2004-2012. *Canadian Gambling Digest 2002-2003 to 2010-2011*; BC Gaming Policy and Enforcement Branch (2011 and previous years). Data compiled by the Centre for Addictions Research of BC, 2013; prepared by Public Health Planning and Surveillance and the Office of the Provincial Health Officer, Ministry of Health, June 2013.

GameSense

GameSense, BCLC's responsible gambling program, provides information and education on both responsible play ("keeping it fun") and the risks associated with gambling. GameSense includes a website, television and movie theatre advertising, interactive on-site responsible gaming terminals, trained GameSense Advisors who provide information and support, and a variety of other tools and resources.¹⁰³ For more information, visit the GameSense website at www.GameSense.bclc.com.

showing that there has been an increase in both distributions to problem gambling programs, and in their utilization.

The provincial government has also placed 34 GameSense Info Centres (interactive on-site terminals providing information and resources to help gamblers make responsible and informed gambling decisions) in major gambling venues throughout the province. This includes 17 in bingo facilities (self-service terminals), and 17 in casinos (staffed

by GameSense Advisors up to 35 hours per week).¹⁴ Further development and evaluation of the GameSense program, including player awareness of GameSense, is part of *BC's Responsible Gambling Strategy and Three Year Plan (2011/12–2013/14)*.⁹⁰

British Columbia's Problem Gambling Treatment Initiatives

The provincial government has offered free publicly-funded treatment for problem gambling since the mid-1990s. Types of treatment available include the Discovery program and Feedback Informed Treatment (FIT). The Discovery program is an intensive 2.5- or 5-day treatment program that provides counselling and life-skills training for problem gamblers (see sidebar *The Discovery Program*). FIT is a method of treatment that allows patients to provide feedback to the practitioner, who can then modify the treatment as appropriate to target the patient's specific needs; as a result, multiple approaches may be incorporated into a single patient's treatment.¹⁰⁴ FIT and



The Discovery Program

Launched in 2008/2009, the Discovery program helps problem gamblers develop the knowledge and skills needed to address their gambling-related issues. Discovery is an intensive clinical treatment program that runs several times a year in selected locations, with day, evening, and weekend sessions. Participants learn about problem gambling triggers and issues, stress management, financial management, communication skills, and life skills. The Discovery program also provides intensive group therapy, couples therapy, and relapse prevention counselling.¹⁰²

Discovery treatments are based on a harm-reduction approach (e.g., they do not require participants to abstain from gambling while undergoing treatment) and offer intensive day treatment for individuals, couples, and families, as well as group treatment options.

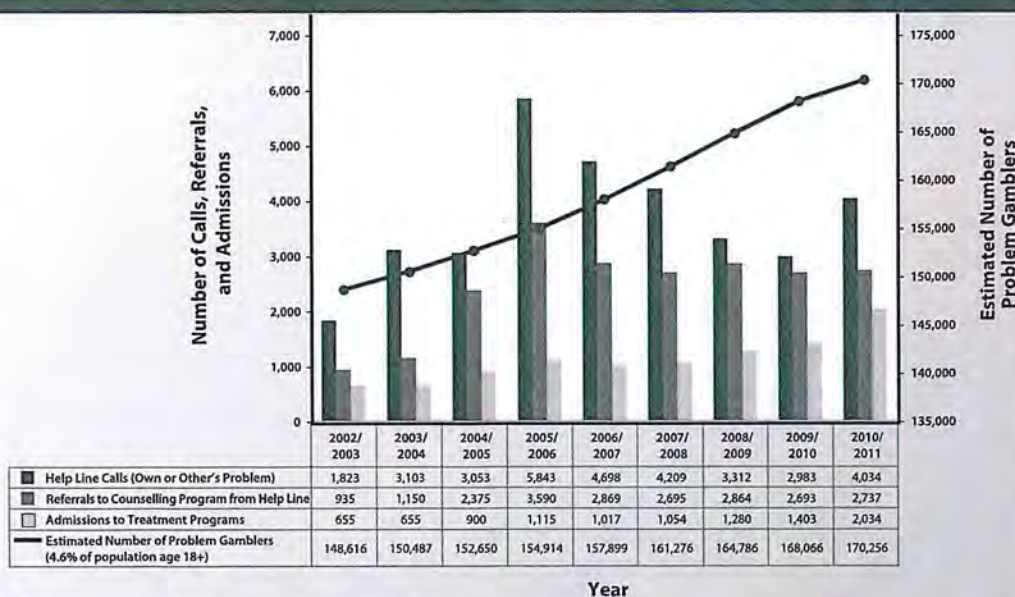
In 2011/2012, 2,071 clients received a total of 8,288 clinical sessions through these programs, and 1,272 clients attended group counselling (326 of these through the Discovery program). Participation in the FIT treatment model was initially capped at 20 sessions, but this session limit has now been removed so clients can attend as many sessions as they require. The effectiveness of FIT treatment is evaluated by the client at every session and, if progress is not reported, the client is referred to another practitioner or type of treatment. No formal outcome evaluations of either FIT or the Discovery program have been completed to date, but a longitudinal treatment outcome study for FIT clients is planned for 2013/2014.^{2,96}

Figure 5.5 shows trends in treatment-related indicators in BC over the last

decade. As has been shown for other jurisdictions in Canada and elsewhere, only a very small percentage of problem gamblers who could benefit from assistance actually engage in the treatment services provided by the province. These data also show variability in the level of engagement and service provision over time. For example, the number of calls to the Help Line (see sidebar *Problem Gambling Help Line*) peaked at nearly 6,000 in 2005/2006, then decreased substantially over the next four years, then increased again to just over 4,000 in 2010/2011. Referrals from the Help Line into counselling programs also peaked in 2005/2006; however, 2005/2006 also shows the lowest ratio of referrals leading to admission into treatment programs. While the number of referrals remained relatively stable from 2006/2007 to 2010/2011, there was improvement in the ratio of referrals leading to admission into treatment programs (from 35 to 74 per cent) during those four years.

Figure 5.5

Problem Gambling Treatment Need and Utilization, BC, 2002/2003 to 2010/2011



Note: "Estimated number of problem gamblers" includes moderate-risk and problem gamblers.

Source: Canadian Partnership for Responsible Gambling. 2004-2012. *Canadian Gambling Digest 2002-2003 to 2010-2011*; BC Gaming Policy and Enforcement Branch (2011 and previous years); BC Vital Statistics Agency (no date). Data compiled by the Centre for Addictions Research of BC, 2013; prepared by Public Health Planning and Surveillance and the Office of the Provincial Health Officer, Ministry of Health, June 2013.

Problem Gambling Help Line

Part of BC's Problem Gambling Strategy is the toll-free Problem Gambling Help Line (1-888-795-6111), available 24 hours a day, seven days a week, to BC residents of all ages. The Help Line provides confidential information and referrals to free counselling and other services for those who need it. Service is available in multiple languages. For more information, visit www.BCResponsibleGambling.ca and click on the "BC Problem Gambling Help Line" icon.



Summary

As discussed in this chapter, a variety of approaches may be taken to reduce the harms associated with gambling. Despite limited evaluation of many programs to date, BC and other jurisdictions are looking to promising practices identified in the literature for guidance, and pilot-testing programs and initiatives to both promote responsible gaming behaviours and prevent and respond to problem gambling. This includes efforts to raise awareness of and educate the public about responsible gaming and problem gambling; research to improve understanding of problem

gambling; development of policies that make gaming safer for individuals, families, and communities; and providing tools, resources, and treatment programs to identify and assist those already experiencing gambling problems. Maintenance and enhancement of this array of initiatives requires regular evaluation, as well as sufficient, dedicated, and ongoing funding. Such support will help to ensure that BC's revenue from gaming is acquired in the healthiest manner possible, and do not come at the expense of vulnerable populations. The final chapter discusses the findings presented in this PHO report and provides recommendations to help balance the positive and negative impacts of gambling in BC.

Discussion and Recommendations

Provincial governments in Canada obtained the exclusive right to manage and conduct legalized gambling in 1985, and all jurisdictions (including BC) have used this authority to greatly expand the scope and scale of gambling over time. This has led to two major effects: a substantial increase in government revenue from gaming, and an increase in the prevalence of gambling-related problems, the most significant of which is problem gambling.⁷ Several policy-related factors influence outcomes related to increased access to gambling, including the magnitude of the increase, the types of games being introduced or expanded, and the effectiveness of policies and programs for preventing and treating gambling-related harms.

The history of gambling policy in BC shows that legalized gambling has evolved under government leadership from a small-scale enterprise providing revenue to religious, charity, and other non-profit organizations, to a popular form of entertainment with a majority of proceeds directed into general government revenue. The formal implementation of the community chest model of gambling management in 2002, along with the expansion of gambling availability in BC, has led to a significant increase in government revenue over time. Revenue from gaming increased substantially in BC between 2002/2003 and 2010/2011, even though overall participation in gambling declined from 85 per cent to 73 per cent, from 2002 to 2007. This means that BC is earning more revenue per gambler—an

outcome verified by a substantial increase in gaming revenue per capita (age 18 and up) since 2002/2003.

Recent trends in gaming availability show that the BC government has expanded access to several forms of gaming associated with higher rates of problem gambling (e.g., slot machines and Internet gambling); meanwhile, less risky forms of gaming (e.g., lottery tickets and bingo) appear to be on the decline. As a result of these shifts in gambling patterns, revenue from casino- and non-casino-based slot machines now accounts for a majority (approximately 55 per cent) of government revenue from gaming in BC. Although BC has assessed risk potential for some new game offerings, no report describing the overall distribution of low-risk, moderate-risk, and high-risk games has been published by the BC Lottery Corporation. This information would be useful for assessing the extent to which government is providing gambling in a way that fosters low-risk play.

To its credit, BC has implemented a number of best or promising practice interventions including the Voluntary Self-Exclusion Program, and prohibiting the use of tobacco in gaming venues. Following the view that the decision to participate in gambling is a personal choice and individual gamblers are responsible for their gambling-related behaviours, BC emphasizes educational programs designed to promote responsible gaming, despite the fact that a recent review of published literature suggests that the

effectiveness of such programs is moderate to moderately low.⁷⁷ This Provincial Health Officer's report also verifies that the recent policy decisions that have resulted in expanded gaming opportunities appear to be increasing rather than decreasing gambling-related risk in BC. Evidence suggests better outcomes are experienced by those jurisdictions that balance harm minimization concerns with revenue generation potential, and that long-term, stable commitment to comprehensive programs is needed to achieve effective prevention.⁷⁷ Despite this, BC continues to allocate the smallest percentage of gaming revenue to its responsible gaming and problem gambling programs compared to the Canadian provincial average. All of this suggests a shift away from a traditionally lower-risk approach to gambling compared to some other provinces in Canada.

The Gaming Policy and Enforcement Branch and the Responsible and Problem Gambling Program both deserve credit for their development and delivery of treatment programs for problem gamblers. Nonetheless, these programs currently meet the needs of only a small fraction of people with moderate or severe gambling problems. Additionally, neither Feedback Informed Treatment (FIT) nor the Discovery treatment program have had independent, third-party evaluations to determine outcomes and effectiveness. Finally, brief interventions have been shown to be highly cost-effective for treating addictive behaviours. This evidence-based modality could potentially be used to prevent the comparatively large number of moderate-risk gamblers in BC from becoming problem gamblers, and could therefore help round out the complement of treatment programs offered in BC. Overall, mandating a percentage of revenue to evidence-based programs and initiatives would ensure a more stable response to problem gambling in the province.

Recommendations

By applying a public health perspective to the examination of gambling in BC, this report has shown that gambling is a public health issue, with substantial health, social, and economic impacts on citizens and communities in BC. This issue requires a public health response in which public policies and programming recognize the potential benefits of gambling while minimizing potential harms to British Columbians. This response should involve public health engagement through intersectoral collaboration and partnerships, with overarching goals of improved health and reduced health inequity. It is in this context of a public health framework that the following 17 recommendations are offered.

Preventive Interventions

Preventive interventions include screening, early detection, counselling, and other activities to prevent harms from arising or worsening.

The recommendation to prevent unnecessary harms and costs to British Columbians due to problem gambling is as follows:

1. The 2003 PHO report *An Ounce of Prevention* recommended the development and implementation of an evidence-based curriculum running from school entry to graduation as part of a comprehensive school health promotion process. It is recommended that the Ministries of Education, Finance, and Health work together to develop a consistent, province-wide approach to enhancing risk avoidance related to gambling among children and youth, with a special emphasis on youth in grades 10 to 12.

Health Promotion

Health promotion involves building capacity, knowledge, and resilience in individuals, groups, and communities through addressing the social determinants of health and creating environments in which the healthy choice is the easy choice.

Recommendations to support health promotion related to gambling are as follows:

2. Place signage on all electronic gaming machines in service in British Columbia conveying the risk-rating of that machine, so consumers can make informed point-of-play choices about the games they choose to play.
3. Improve the capacity of BC Lottery Corporation staff to actively identify and respond to problem gamblers in its venues, including community gaming centres. This could include using information from loyalty card programs to identify problem gamblers, giving training on proper and safe ways for facility staff to intervene, and providing incentives and performance monitoring to encourage staff members to proactively identify problem gamblers.
4. Implement a pilot project to test the efficacy of using brief interventions and motivational enhancement therapy within the Feedback Informed Treatment and Discovery treatment programs to treat low- and moderate-risk gamblers, and cognitive behavioural therapy to treat moderate- and high-risk gamblers. This includes conducting and publishing formal outcome evaluations of these programs.
5. Integrate and formally link problem gambling screening and treatment in the larger mental health and substance use treatment systems managed by the regional health authorities in BC.
6. Review all policies related to processing applications for changing gaming availability to ensure appropriate community engagement and self-determination.

Health Protection

Health protection requires development and implementation of strategies that protect people through legislation, regulation, inspection, and enforcement. Health protection recognizes that many of the determinants of health lie outside an individual's sphere of control, and that legislation and policies must recognize the potential for harm and seek to minimize risks to individuals and communities.

Recommendations to protect the health of British Columbians, including both non-gamblers and gamblers, are as follows:

7. Meaningfully involve public health stakeholders in decisions regarding the availability of gaming in BC. This could involve creating an advisory committee on gaming that must be consulted regarding all future decisions on the expansion of gaming or changes in gaming policy.
8. Require assessment of risk potential, including the percentage of revenue that will be generated from problem gamblers, before approving any expansion of gaming or introducing new gambling products.
9. Make all future decisions on the expansion of gaming or introduction of new gambling products contingent upon reducing the overall percentage of revenue derived from problem gamblers.
10. Reduce the availability of high-risk electronic gaming machines (EGMs) and high-risk gambling offerings on the *PlayNow.com* website. This could involve replacing high-risk EGMs with lower-risk variants or reducing the overall number of EGMs in service.

11. Restrict or reduce access to alcohol in gaming facilities. This could involve reducing the physical availability of alcohol (e.g., reducing hours of service) and reducing the economic availability (e.g., raising prices).
12. Restrict or reduce access to money in gaming facilities. This could involve mandating player pre-commitment, and prohibiting automated teller machines (ATMs).
13. Allocate at least 1.5 per cent of gaming revenue to responsible and problem gambling initiatives, with set amounts earmarked for prevention, health promotion, and treatment initiatives that meet evidence criteria. This includes monitoring programs and implementing policies that increase the effectiveness of responsible and problem gambling programs.

Assessment and Surveillance

Assessment and surveillance involves monitoring population health status in order to detect, assess, and respond to health-related issues, as well as contributing to determining the effectiveness of public health programs and services. The design and implementation of systems to monitor and assess gambling must take into account the challenges and issues discussed in this report, including the current shortage of data and research needed for a comprehensive public health approach to problem gambling in BC.

Recommendations to support effective assessment and surveillance of gaming in BC are as follows:

14. Develop and implement a comprehensive monitoring system to routinely and systematically track the economic and social impacts of gambling. At a minimum, this would need to include impacts on the health and quality of life of the population

as a whole and on that of vulnerable populations, with attention to health equity concerns.

15. Collect and monitor data to assist local governments and communities to make evidence-based decisions about hosting and/or expanding gaming facilities. This includes (but is not limited to) establishing reliable estimates of the potential revenue derived from local citizens' gambling compared to tourists' gambling, and determination of an optimal blend of gaming revenue derived from local residents and tourists.
16. Engage public health and gambling researchers in developing an evidence-based strategy for BC, funded by the holdbacks from the Voluntary Self-Exclusion Program. The newly created Centre for Gambling Research at the University of British Columbia could provide expert counsel to the government on gambling-related matters and help promote the emergence of a comprehensive, public health-informed approach to gambling policy in BC.
17. Establish and maintain a stable source of funding to support ongoing gambling-related research and evaluation in BC.

Conclusion

While the BC government deserves recognition for implementing various problem gambling prevention and treatment programs, its decision to expand access to more problematic forms of gambling in recent years is counterproductive from a public health perspective. The available evidence suggests that this expansion of gaming availability has resulted in increased prevalence of problem gambling in BC.

Leading Canadian scholars on gambling have suggested that "...the very legitimacy of government-sponsored gambling and its continued expansion hinges on the assumption that a large proportion of

revenue from gaming does not come from an addicted and highly vulnerable segment of the population.”⁶² As shown in this report, on a per capita basis, problem gamblers likely account for a greater and increasing proportion of revenue than do other types of gamblers, and revenue from gaming in BC has increased over time. Therefore, current policies of gaming expansion are taking more from a vulnerable population (problem gamblers) and directing those funds into general revenue to provide products and services for those who are less vulnerable (the general population). This practice conflicts with the stated objective of the province’s gambling strategy to provide gambling in a way that encourages safe play.

While gambling will always involve a risk of harm, such harm could be substantially reduced if the government of BC adopted some or all of the recommendations made in this report. Prevention will require building resilience and preventing new cases of problem and pathological gambling from arising. Health promotion involves transparency in informing people about the

relative risk of various forms of gambling and providing appropriate and adequate services to support people who get into trouble with gambling. Health protection initiatives should focus on restricting the availability of harmful forms of gambling and restricting or limiting the use of alcohol and access to money in gaming facilities.

The province should allocate a higher and more consistent percentage of gaming revenue to its related promotion, prevention, and treatment interventions, and should focus on embedding evidence-based and promising practices in these services. Reducing the harms from gambling will require the implementation of policies and programs that will significantly decrease the proportion of revenue that comes from problem gamblers. This means that some minor inconveniences to non-problem gamblers may have to be tolerated, and that government revenue from gaming may decline. Overall, adopting these recommendations will help to balance the known negative impacts with the potential benefits of gambling.

Timeline of Gambling in Canada with a Focus on BC

This timeline was compiled by the principal author from multiple sources.^{20,21,106,107,108}

- 1892:** The federal *Criminal Code* incorporates pre-existing gambling restrictions enacted by Parliament in 1886 and 1892,¹⁰⁸ and declares a complete ban on all gambling activities in Canada.
- 1900:** The *Criminal Code* is amended to permit charitable gaming such as bingo and raffles.
- 1906:** The *Criminal Code* is amended to legalize “lottery schemes.”
- 1910:** The *Criminal Code* is amended to allow on-track betting on horse races.
- 1925:** Temporary gambling events at agricultural fairs and exhibitions are allowed.
- 1954:** A joint committee of the House of Commons and Senate holds public hearings on lotteries, with the final report arguing against allowing large-scale lottery schemes. Several private members’ bills during the 1960s try to legalize lotteries but fail.
- 1969:** The *Criminal Code* is amended to remove criminal sanctions against lottery schemes, thus allowing for both federal and provincial government-run ticket lotteries and sweepstakes.¹⁰⁸
- 1970:** An Order-in-Council is passed by the BC Legislature that authorizes the government to conduct lottery and non-permanent casino games for charitable purposes. A small amount (2 per cent) of proceeds from charity gaming goes to the government in the form of licensing fees.
- 1974:** The first national lottery is held to raise money for the Olympic Games in Montreal, Quebec. BC passes the provincial *Lottery Act* and joins with Alberta, Manitoba, and Saskatchewan to form the Western Canada Lottery Foundation (later known as the Western Canada Lottery Corporation). Government revenue from early lottery games is dedicated to be used for “cultural or recreational purposes” only.
- 1976:** Increasing revenue from gaming leads BC to change the provincial *Lottery Act* to allow revenue to be used for “other purposes.”
- 1980:** Canada’s first year-round charity casino opens in Calgary, Alberta.
- 1982:** Canada’s first “pick your own numbers” nationwide lottery, Lotto 6/49, debuts. The Great Casino Supply Company incorporates in BC to serve the growing demand for charity casino management and services.
- 1984:** A “bingo industry” begins to emerge in BC, facilitating the expansion of community and charity bingo gaming. By 1987 there are 63 bingo halls across the province.
- 1985:** Provincial governments are given exclusive control over all forms of gambling, including games conducted via computer, video lottery terminals (VLTs), and slot machines.^{107,108} Betting on horse races via telephone is also permitted.¹⁰⁸ BC leaves the Western Canada Lottery Foundation, passes the BC *Lottery Corporation Act*, and forms the BC Lottery Corporation (BCLC) to conduct and manage government gambling operations in the province.
- 1986:** BC introduces pull-tab tickets in adult settings. Lotto BC, the first BC-only online game, launches. Licensing fees for charity casinos in BC increase to 5 per cent.
- 1987:** The BC Gaming Commission is created to provide guidance on gambling policy in BC. The BC Attorney General asks the BC Gaming Commission and the BC Ministry of Tourism, Recreation and Culture to evaluate the feasibility of creating permanent, destination-style casino facilities in the province.
- 1988:** The BC Gaming Commission issues a report calling for the creation of a comprehensive Gaming Act to rationalize the management of gambling in BC. The report also suggests

that a major destination-style casino in an urban setting is viable. Starship Bingo, a touch-screen electronic bingo system, debuts in Vancouver, BC. The BCLC becomes the first lottery jurisdiction in Canada to offer an online sports lottery, Punto.

1989: Canada's first year-round commercial (non-charity) casino opens in Winnipeg, Manitoba.

1990: New Brunswick is the first province to introduce VLTs, allowing the machines to be placed in licensed and non-licensed establishments such as corner stores, bowling alleys, and taxi stands.

1991– All provinces except Ontario and BC

1993: introduce VLTs. In some provinces, the machines are restricted to licensed establishments.

1993: The Canadian Public Health Association (CPHA) passes a resolution calling for a national assessment of the harms and costs of gambling. The provincial governments of Alberta and New Brunswick develop the first government-funded treatment programs for treating problem gambling. The BC Gaming Review Committee, which was created by the Attorney General and the Minister of Government Services to conduct a gaming policy review in BC, releases an interim report that (1) calls for some form of comprehensive gambling legislation; (2) expresses concern about the ability of charities to maintain their revenue from gaming activities; (3) voices concern from some religious organizations and individuals about the expansion of gambling and the rise in problem gambling; (4) acknowledges the desire of the gaming industry for further expansion of gaming options, increased bet limits, and expanded hours of operation of gaming facilities; and (5) supports the introduction of VLTs and slot machines in the province.

1994: A proposal is delivered by a major private casino operator to create the first permanent destination casino in BC, the Seaport Centre in Vancouver. The casino is not pursued.

1995: Manitoba, Alberta, and Saskatchewan are the first provinces to limit the number of VLTs. The BC Gaming Commission releases its final

report, which, among other things, calls for the introduction of 4,600-5,000 VLTs in the province. The VLT option was never exercised and, as of August 2012, BC still did not have any VLT machines. The report also includes, for the first time, official reference to First Nations casinos and calls for an outright ban of commercial “Vegas-like casinos” in BC. The first Keno draw (a 5-minute-style game) is held in BC. By 2010/2011, there were 3,888 electronic Keno venues in BC.

1997: BCLC is given responsibility to conduct and manage all slot machines in the province. Slot machines are introduced into charity casinos operating in BC. Some municipal governments, including Vancouver, vote to ban slot machines in gaming facilities within their jurisdictions.

1998: BCLC assumes responsibility for table games in casinos, making the corporation responsible for all casino gambling in the province.

1999: The CPHA passes a resolution asking governments to monitor the effects of EGMs such as VLTs. British Columbia's first destination casino—the Royal City Star, a riverboat casino—opens in New Westminster. The BCLC breaks the \$1 billion sales mark. The Voluntary Self-Exclusion (VSE) Program begins operating in BC. The program has the authority to fine self-excluders found in gaming facilities up to \$5,000, though as of 2012, the penalty had never been applied.

2002: The first and only national gambling prevalence survey to date is implemented as part of the Canadian Community Health Survey. Past year national prevalence of gambling participation is estimated at 76 per cent, and the rate of problem gambling is an estimated 2.6 per cent. The *Gaming Control Act* comes into force in BC, the first three-year Responsible Gambling Strategy is launched, and the Gaming Policy and Enforcement Branch is created.

2004: BCLC introduces *PlayNow.com*, a gambling website offering online play and purchase of select lottery products.

2005: BCLC introduces at least 250 slot machines in community bingo halls, renaming the facilities

“community gaming centres” to better reflect their services. By 2011 there were a total of 1,848 slot machines in 16 community gaming centres across BC.

- 2006:** The second three-year Responsible Gambling Strategy is launched in BC.
- 2007:** BCLC and Gateway Casinos and Entertainment Inc. announce the official opening of British Columbia’s most recent major destination casino—The Starlight—in New Westminster. This brings the total number of permanent casinos in the province to 17. Onsite problem gambling support centres are placed in seven casinos in BC, with all 17 casinos in the province having them by March 2008.
- 2009:** BCLC launches GameSense, a revitalization of the corporation’s responsible gaming resource. The third three-year Responsible Gambling Strategy is launched in BC.
- 2010:** BCLC becomes the first government gambling authority in North America to offer legal, regulated online casino games

on its *PlayNow.com* website. The *Gaming Control Act* is amended to allow the BCLC to withhold jackpot winnings from patrons who have enrolled in the VSE Program. All withheld VSE winnings are earmarked to fund gambling-related research in BC.

- 2011:** Revenue from gaming in BC exceeds \$2 billion for the first time. Independent evaluations and reviews of BC’s VSE Program are published by the BC Centre for Social Responsibility and the Responsible Gambling Council Centre for the Advancement of Best Practices.
- 2012:** The BCLC and the government of BC give a \$2 million grant to the University of British Columbia to create the BC Centre for Gambling Research. The Centre is expected to open in late 2013, and will be housed in the Department of Psychology. The Centre will focus on studying the social and behavioural aspects of gambling, providing evidence-based support for improved gambling policy and programs, and strengthening training for prevention professionals.

Appendix B

Detailed Data for Figure 4.16

The following four figures provide additional details of Figure 4.16, presented in Chapter 4 of this report.

Figure 4.16a

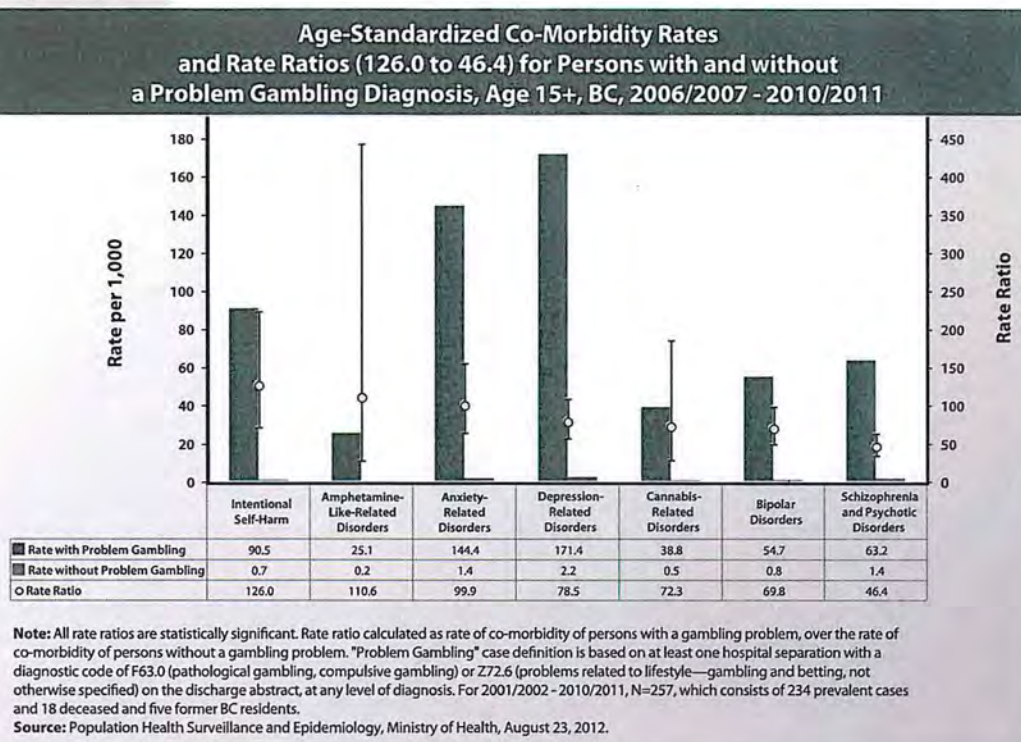


Figure 4.16b

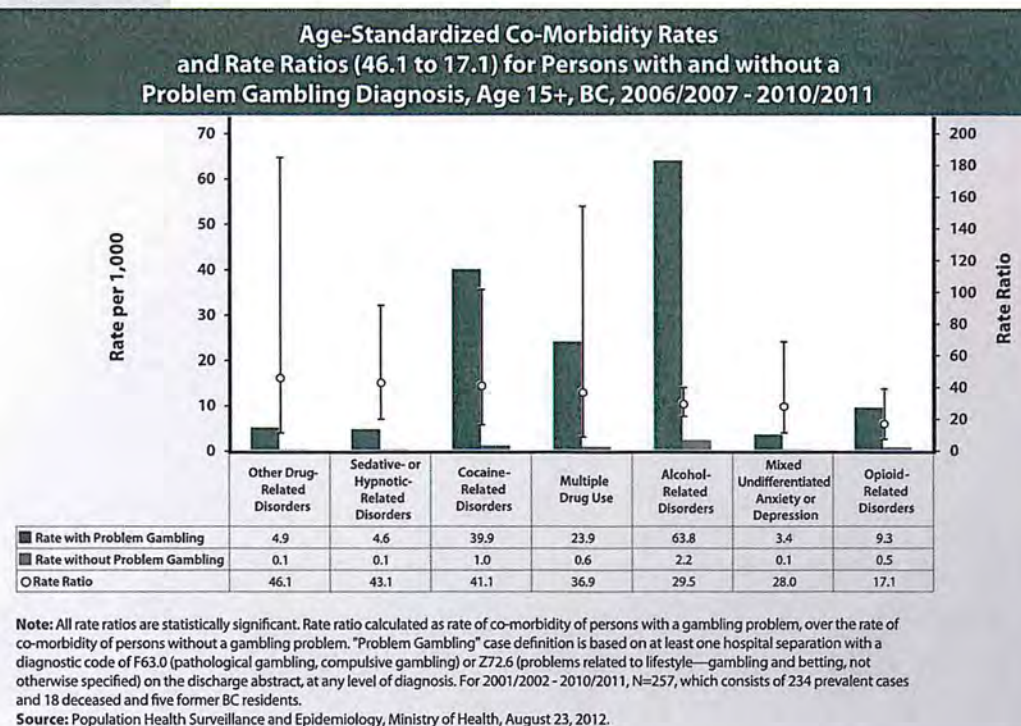


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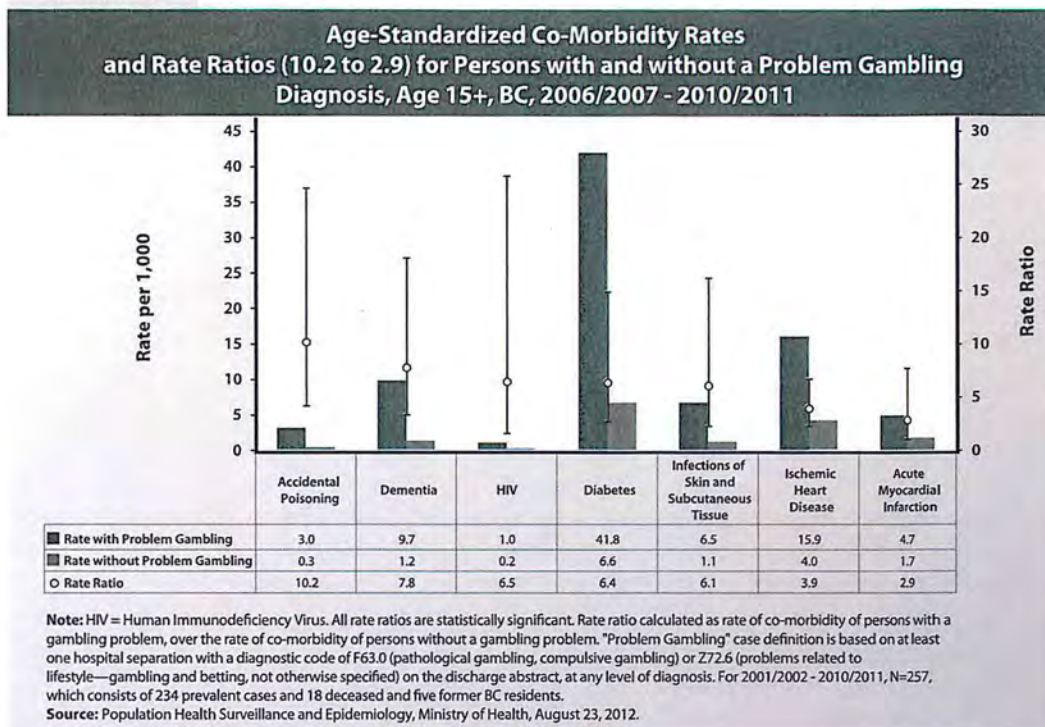
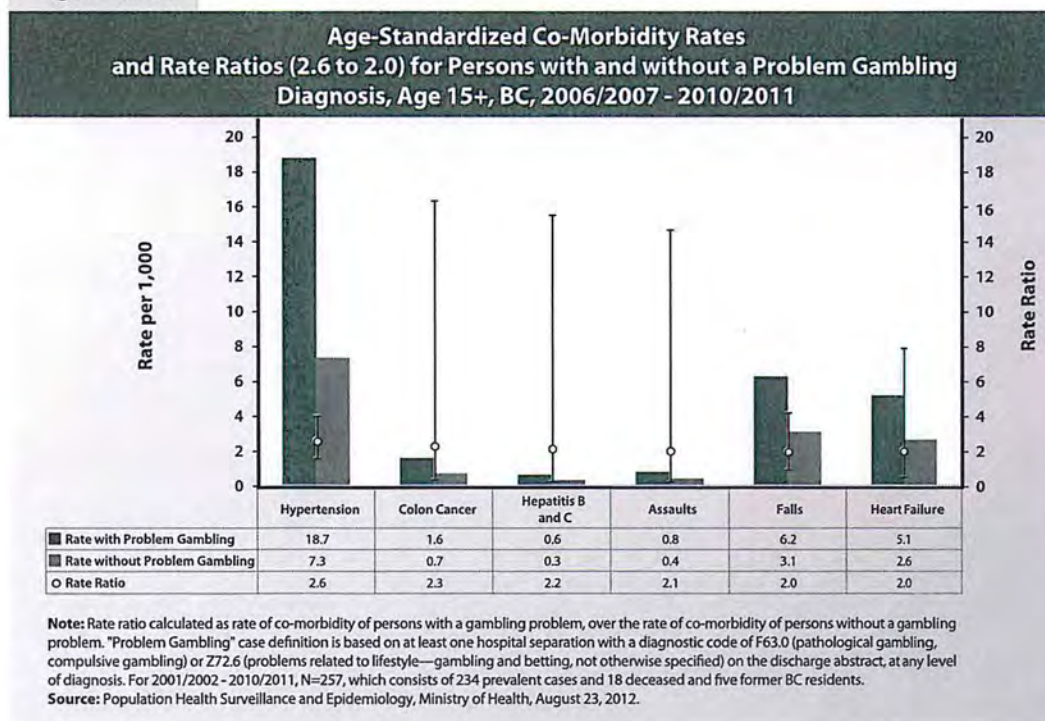


Figure 4.16d



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This is Exhibit "I" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

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Responsible and Problem Gambling in British Columbia

*A Plan for Public Health and
Gambling in British Columbia
February 2015*



BRITISH
COLUMBIA

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EXECUTIVE SUMMARY

For more than a decade, government and the British Columbia Lottery Corporation (BCLC) have progressively implemented initiatives to ensure that gambling is delivered in the most responsible way possible in our province. These initiatives reflect best practices in the gambling industry. BC is seen as a leader among gambling jurisdictions in the quality of its responsible and problem gambling services. There are, however, opportunities to do more to minimize harm at the population level through policy and at the individual level through prevention and treatment programs. This document provides government's plan for promoting responsible gambling and addressing the public health risks associated with problem gambling, including details about existing services and new initiatives.

The action items contained in government's *Plan for Public Health and Gambling* are the product of collaborative work undertaken by a cross-ministry working group with representation from the Ministries of Finance, Health, and Education and BCLC. This working group was established following the release of a report in October 2013 by the Provincial Health Officer (PHO) entitled *Lower the Stakes: A Public Health Approach to Gambling in British Columbia*. The working group was tasked with creating a plan for responsible and problem gambling in British Columbia, taking into consideration the PHO Report recommendations, the findings from 2014 Problem Gambling Prevalence Study, research on online gambling, and other relevant research and policy related to gaming, health, and education.

The PHO Report made 17 recommendations to address problem gambling from a public health perspective. The recommendations focus on prevention, health promotion, protection, and research to minimize harm and prevent problem gambling. The 2014 Problem Gambling Prevalence Study found that there has been a 28 per cent reduction in the problem gambling prevalence rate in British Columbia from 4.6 per cent of the population in 2008 to 3.3 per cent in 2014. Online gambling is a growing part of the gambling industry, and represents a significant area of business growth for BCLC. However, it was not addressed in detail in either the PHO Report or the Prevalence Study. The government and BCLC consider this an area that warrants further research. This will help ensure that responsible gambling initiatives online are evidence-based and meet the same standards as those offered in gaming facilities.

In the area of prevention among youth and young adults, the government's Responsible & Problem Gambling program has standardized, age-appropriate responsible gambling presentation materials for students in grades 6 to 12 and post-secondary students. These materials are designed to meet learning objectives in the current education curriculum for a variety of subject areas. The program has already implemented a number of best practice mitigation strategies for preventing problem gambling. These include practices such as tailoring services to meet the needs of specific age groups and cultural groups and effectively providing awareness and education about youth problem gambling to parents, teachers, healthcare workers, and other allied professionals. However, research on prevention and education suggests that there is a need to frame problem gambling as one of several types of potentially risky behaviours for youth, and approach problem gambling prevention from a resiliency building approach rather than a problem avoidance approach. Changes will be made to the Responsible & Problem Gambling program to incorporate a greater focus on problem solving and critical thinking in order to ensure that programs are as effective as possible for students and are designed around the most up-to-date and relevant research available. In addition, the Ministries of Finance, Health, and Education will work together to increase awareness among educators and allied professionals about the need for youth education to prevent problem gambling and promote related education materials.

The government and BCLC have already implemented initiatives that are aimed at empowering individuals with the information and tools they need to make healthy choices about gambling; however, even further responsible gambling measures will be put in place. BCLC plans to implement new money and time budgeting tools for players in gaming facilities that have an Encore rewards membership, make improvements to staff training, and launch customized responsible gambling messaging for *PlayNow.com* account holders and Encore members. The government already contracts staff in every casino as GameSense Advisors to provide players with information about responsible gambling and support players who may need to access problem gambling services. The government plans to implement a GameSense Advisor presence in Community Gaming Centres.

With respect to treatment for problem gamblers, the Responsible & Problem Gambling program offers free, province-wide counselling and treatment services for problem gamblers and their families. There are no waitlists for these services, and the program is a global leader in the use of Feedback Informed Treatment, which is a recognized best practice that was identified in the PHO Report. The government's treatment program has proven client outcomes that exceed international norms and demonstrate effective value for the money that is invested. In addition, the government recognizes the importance of continuity of care for individuals who face multiple, inter-related problems. For that reason, the Ministries of Finance and Health will work together to explore problem gambling screening and collaborative care planning for clients with co-occurring issues.

The government and BCLC take the risks of gambling seriously and are committed to delivering gambling in the most socially responsible way possible. Going forward, the Ministries of Finance and Health and BCLC will maintain a working group to share and analyze best practice research and provide advice to government on gambling policy. Additionally, the government will create a standardized package of information for municipalities that host or are considering hosting gaming facilities to offer them more information about the public health impacts of gambling and assist them in making decisions about gambling expansion in their communities.

With respect to research, the government and BCLC have committed \$2 million over five years to support the establishment of the Centre for Gambling Research at the University of British Columbia (UBC), and the Centre officially opened on November 12, 2014. UBC has received \$1 million in the first year and will receive \$250,000 in each of the subsequent four years. BCLC and GPEB also plan to undertake research to determine the impacts of reducing higher risk features of Electronic Gaming Machines and undertake research to better understand online gambling participation and problem gambling among online players in British Columbia.

The Ministries of Finance, Health, and Education and BCLC are committed to working collectively to implement the 21 action items outlined in this plan.

INTRODUCTION

For more than a decade, government and the British Columbia Lottery Corporation (BCLC) have progressively implemented initiatives to ensure that gambling is delivered in the most responsible way possible in our province. This is achieved through a wide range of prevention initiatives in schools, communities and gaming facilities, tools and support to help individuals make healthy choices about gambling, and counselling and treatment services for the small number of people who develop problems with gambling. Both government and BCLC are delivering high-quality responsible and problem gambling services and achieving excellent value for the investment that is made. There are, however, always opportunities to review programs and services in order to make improvements, assess and address emerging issues, and implement findings from new research.

In October 2013, the Provincial Health Officer (PHO), Dr. Perry Kendall, issued a report entitled *Lower the Stakes: A Public Health Approach to Gambling in British Columbia* (PHO Report on Gambling). The PHO has a mandate to report to British Columbians and the Minister of Health on the health of the population and recommend actions that improve health and wellness in the province. Dr. Kendall's report provided 17 recommendations to the Ministries of Health, Finance, and Education aimed at addressing problem gambling from a population health perspective. This perspective seeks to balance individual-level education and treatment services for problem gamblers with population-level public health responses, including the creation and implementation of gambling policy that promotes health, minimizes harm, and prevents problem gambling.

Initially in response to the PHO Report, a cross-ministry working group was created in May 2014 with representation from all three ministries and BCLC. The working group was tasked with considering the PHO recommendations as well findings from the 2014 BC Problem Gambling Prevalence Study, other relevant research related to gambling, including online gambling, and government policies related to the delivery of services in the education, health, and gaming sectors. The group provided a unique opportunity to raise awareness across government about the benefits of gambling as well as the associated risks, to share information and best practices, and to build relationships among professionals working in gambling, public health, and education policy.

This document provides government's plan for addressing the public health risks associated with gambling, and reiterates government's commitment to delivering gambling entertainment opportunities in our province in a socially responsible way. BCLC was an integral member of the working group, and provided input and advice on many of the action items contained in this document. Like government, BCLC is committed to ensuring that gambling is conducted responsibly, and has agreed to work closely with government to implement action items that involve the corporation.

GAMBLING IN BRITISH COLUMBIA

Many British Columbians participate in gambling activities, such as lotteries, horse racing, slot machines, table games, online gambling, and community-based raffles and gaming events. Overall, approximately 73 per cent of the adult population in the province participates in gambling activities at least once in the past year.¹

The Gaming Policy and Enforcement Branch (GPEB) is responsible for ensuring that gambling activities in British Columbia are conducted fairly, securely, and responsibly. The regulatory framework for gaming is provided by the provincial *Gaming Control Act and Gaming Control*

¹ R.A. Malatest & Associates Ltd., 2014

Regulation. GPEB regulates all gaming in the province and ensures the integrity of industry companies, people, and equipment. GPEB provides regulatory oversight of BCLC, which is the Crown Corporation responsible for conducting and managing gaming in British Columbia. GPEB also licences all community groups and organizations that conduct community raffles and other gaming events for charitable purposes. Additionally, GPEB is responsible for gambling policy and the Responsible and Problem Gambling Program, which delivers prevention and treatment services to citizens.

Availability of Provincially-Regulated Gambling

BCLC works with contracted service providers and retailers to provide commercial gambling activities offered in the province. The most commonly played games are provincial and national lotteries, such as LottoMax, Lotto 6/49, and Scratch & Win, which are sold through a network of nearly 4,000 lottery retailers in convenience stores, grocery stores, mall kiosks, and bars and pubs. Across the province, there are 17 casinos in operation, including two at horse racetracks. Casinos typically feature gaming tables, poker tables, slot machines, and electronic table games. There are seven bingo halls that host bingo exclusively, and 18 community gaming centres that offer bingo as well as slot machines, Keno, and lottery products. Two major racetracks and two seasonal racetracks are in operation as well as 23 teletheatres, which offer simulcast broadcasts of races run at local, national, and international tracks.

In 2004, BCLC began offering regulated online gambling by launching its website *PlayNow.com*. The website is the only legal, regulated, online gambling site in BC, and is one of only three in Canada. The site now offers national and provincial lottery games, Keno, Bingo, table games, slots, sports betting, and poker. To access games on *PlayNow.com*, players must register on the website, and identity, age, and residency are verified by a third party. Online gaming currently represents approximately two per cent of BCLC's net income, but continues to grow each year. Unique in Canada, BCLC also hosts Manitoba Liquor and Lottery Commission's online gambling customers on the *PlayNow.com* platform.

In addition to commercial gambling offered through BCLC, many non-profit organizations and community groups hold gaming events to raise money for charitable purposes. These types of activities include events such as large province-wide ticket raffles, 50/50 draws at sporting events, and community bingos and poker tournaments. In 2013/14, GPEB issued 10,120 licenses to eligible organizations to conduct licensed charitable gaming events.

Gaming Revenue and Benefits

In 2013/14, commercial gaming in British Columbia, excluding horse racing, generated \$2.8 billion in gross revenue. After prize payouts and expenses, commercial gaming generated \$1.174 billion in net income for the province. The majority of this revenue is used to fund essential provincial government programs and services, such as healthcare, education, justice, and other social services. Additionally, 10 per cent of net income from gaming facilities, such as casinos, is directed to host local governments and is used to fund municipal government services and infrastructure. Local communities also benefit from community gaming grants, which are provided to organizations with a focus on arts and culture, sport, environment, public safety, human and social services, and Parent Advisory Councils (PACs). In 2013/14, the provincial government distributed \$135 million in community gaming grants to approximately 5,000 community organizations.

RESPONSIBLE AND PROBLEM GAMBLING

The significant revenue that is generated from gambling activities and the subsequent benefit this revenue provides to the province must be balanced with the need to protect vulnerable people who face problems with excessive gambling. For the majority of people who participate in gambling, it is an enjoyable form of entertainment; however, for some people it can be

problematic and for a small number of people, gambling can become a serious problem with severe consequences for themselves, their families, and their communities.

Problem Gambling as a Mental Disorder

In 1980, the American Psychological Association established pathological gambling as a diagnosable mental disorder, and it was included in the third addition of the Diagnostic and Statistical Manual of Mental Disorders (DSM-III) as an impulse control disorder. The DSM offers common language and standard criteria for the classification of mental disorders, and is widely used by mental health and addiction professionals across North America as a key reference for diagnosing patients.

The fifth addition of DSM, released in May 2013, reclassified pathological gambling from an impulse control disorder to a non-substance addictive disorder, which explicitly recognizes problem gambling as a medical issue and solidifies the need for clinical treatment of the disorder in serious cases.

Problem Gambling Prevalence

GPEB commissioned the most recent provincial Problem Gambling Prevalence Study, which measures the prevalence of problem gambling in the adult population. The findings of the study show that moderate to severe problem gambling has declined in British Columbia by 28 percent from 4.6 per cent of the adult population in 2008 to 3.3 per cent in 2014. This means that there are currently about 125,000 British Columbians who face moderate to severe problems with gambling.

Problem gambling prevalence is declining in most gambling jurisdictions. This may be, at least in part, because the industry as a whole has significantly improved its approach to responsible and problem gambling over the last decade. British Columbia is seen as a leader among gambling jurisdictions in the services and programming it delivers.

Other key findings of the 2014 Problem Gambling Prevalence Study include:

- Young adults between the ages of 18 and 24 are at significantly higher risk for problem gambling than other adult age groups;
- Problem gamblers are significantly more likely to have South Asian or Aboriginal, Inuit, or Métis origins than other ethnic origins;
- Low income levels are correlated with problem gambling behaviour;
- Problem gamblers are significantly more likely to experience other mental health issues than the general population; and
- Problem gamblers are significantly more likely to gamble at casinos, in private games, on sporting events, bingo, and online.

Responsible and Problem Gambling Initiatives

The provincial government and BCLC are committed to ensuring that gaming activities and products are offered in a socially responsible way, and both GPEB and BCLC deliver responsible and problem gambling programs.

GPEB's Responsible & Problem Gambling Program provides British Columbians with free information and resources to support informed choices and healthy behaviours with respect to gambling participation as well as high-quality, free treatment services for people who need help to address problem gambling. The program delivers:

- **The Problem Gambling Help Line** – operates 24-hours a day, seven days a week to provide British Columbians with free information, crisis-counselling, and referral services in several languages.

- **Staff in Casinos** – the province contracts staff who work in casinos to deliver BCLC's GameSense programming to players and staff. These staff act as 'GameSense Advisors' to help players make healthy decisions about gambling, build an understanding of how gambling works, and offer strategies to keep gambling fun and safe. They also provide support and information to people who may need access to problem gambling services.
- **Counselling Services** – are delivered free of charge to individuals and families seeking help with problem gambling. Access to these services is available through the Problem Gambling Help Line.
- **Public Education** – is delivered in schools, communities, and online through the BC Responsible Gambling website: www.bcreponsiblegambling.ca

BCLC's responsible gambling initiatives are complementary to those provided by GPEB and are focused on customers, where and when they play, providing information and tools necessary for players to make informed decisions. Key initiatives include:

- **GameSense programming** – is the umbrella under which BCLC provides responsible gambling information to players. This information is available online, at all lottery retail outlets, and at interactive GameSense Info Centres in casinos and self-serve interactive kiosks in community gaming centres.
- **GameSense Info Centres** – are in place in all casinos, and self-serve interactive kiosks are in place in community gaming centres. The centres are located on or near the gaming floor and offer a variety of resources and strategies intended to keep gambling fun.
- **Voluntary Self-Exclusion Program** – is available to individuals who want to exclude themselves from gambling activities in order to help them control their gambling behaviour. At the time of enrollment, individuals can choose the time period of their exclusion, ranging from six months to three years, and they can choose the type of gambling activities for their exclusion, including facilities with slot machines, commercial bingo halls, or *PlayNow.com*. They are also ineligible to be paid for any jackpot prize they may win while enrolled in the program. At the time of enrollment, BCLC provides materials to help individuals access resources to support them in addressing their gambling problem.

In addition, GPEB and BCLC partner to deliver Responsible Gambling Awareness Weeks. In 2014, the awareness campaign took place in six communities in all regions of the province. The objective of the campaign is to raise awareness of responsible gambling practices and to connect people to community services and supports. The weeks feature events such as an educational kiosk that travels to community centres, malls, schools, seniors' centres and other locations and workshops and presentations to healthcare workers, community groups, parents, and students. BCLC also hosts the New Horizons Conference in Responsible Gambling that brings together academics, government, industry, and treatment providers to share research, information, and best practices about risk mitigation and service delivery for players.

PROBLEM GAMBLING PREVENTION FOR YOUTH AND YOUNG ADULTS

Research has shown that most adult problem gamblers began gambling, on average, at age 10. In BC, the average age to start gambling is 13, and by age 18, 56 per cent of youth have gambled.² Because gambling is quite popular in our society, many teenagers try different gambling activities, including card games, poker, dice, scratch cards, and sports betting.

The 2014 British Columbia Problem Gambling Prevalence Study found that although young adults between 18 and 24 are the least likely age demographic to gamble, those that do are at significantly higher risk for problem gambling than other adults.³ Additionally, gambling service providers are taking advantage of the popularity of computer gaming and adapting internet gambling offerings to make them more appealing to a wider audience, particularly young adults. There is a need to ensure that young people have learning opportunities to understand the nature of gambling and build skills to make healthy choices about gambling participation in youth and as young adults when more gambling options become available to them.

Problem Gambling Education and Prevention Services

The provincial Responsible & Problem Gambling prevention program is based on a harm-reduction approach. The program currently has standardized, age-appropriate, presentation packages for students in grades 6 to 12 and post-secondary students.⁴ These interactive presentations are delivered by prevention specialists, who are contracted to deliver presentations free of charge in schools and communities across British Columbia. The presentation packages are designed to meet prescribed learning outcomes under the current education curriculum in a number of subject areas. Teachers and school administrators invite prevention specialists into classrooms to deliver presentations. There has been varying interest from schools and school districts, but those that have received presentations have provided positive feedback that the program is engaging for students and meets learning objectives.

Prevention specialists also deliver presentations to community organizations and allied professionals, such as school counsellors, social workers, and mental health professionals, which is an identified best practice for preventing problem gambling. In 2013/2014, 21 prevention specialists delivered 3,744 presentations to 128,630 BC residents across the province. Further, prevention materials are designed to meet the needs of specific groups, which is another best practice identified by the PHO Report. For example, the Responsible and Problem Gambling Program delivers culturally relevant gambling awareness programs for Aboriginal, Asian, and South Asian populations and prevention materials are available in numerous languages. Prevention initiatives are also tailored to meet the needs of a range of different age groups from elementary students to older adults.

To raise awareness about the risks associated with gambling among post-secondary students, prevention specialists along with trained student volunteers deliver an engaging program called **Gam_iQ**. Students visit an interactive **Gam_iQ** booth, which is set up in a high traffic area on campus usually for two to three days. At the booth, students can take a short, 5-question quiz using an iPad application that teaches and reinforces responsible gambling messages. Participants receive take-away information and are eligible to receive various student incentives including a gift certificate to the campus bookstore or cafeteria and a different give-away each day.

² DECODE, 2008

³ R.A. Malatest & Associates Ltd., 2014

⁴ BC Responsible and Problem Gambling Program at <http://www.bcreponsiblegambling.ca/prevention/>

There are, however, opportunities for improvements to the current approach to problem gambling prevention services based on the most up-to-date evidence on prevention and education related to risk-taking behaviour among youth. Prevention research has demonstrated that changes in behaviour and attitudes are not generally based on a single event⁵, and therefore education materials should be integrated more fully into everyday instruction in a variety of subject areas rather than single presentations.

The PHO Report also points out the need to ensure that prevention initiatives are integrated with education around other risky behaviours, such as substance use. Applying an approach whereby problem gambling is framed as one of many types of risky behaviour allows instructors to teach problem gambling issues from the perspective of building resilience in adolescence. Building resilience, as described in the PHO Report, involves developing problem solving-skills, social and emotional competence, autonomy, and a sense of purpose. Students who develop these types of skills show more resilience under stressful situations and resist the use of unhealthy coping mechanisms that can lead to dependence.

ACTIONS:

- *The provincial Responsible & Problem Gambling program will link with the University of Victoria's Centre for Addictions Research and other researchers to work towards linking problem gambling education with broader issues of substance use, including preventing and addressing dependence and fostering positive mental health and social and personal responsibility.*
- *Within available resources, the provincial Responsible & Problem Gambling Program is shifting its prevention services to incorporate a greater focus on problem solving and critical thinking to ensure programs are as effective as possible for students.*

Promotion and Awareness

There is presently a lack of awareness that problem gambling is an issue among youth. In addition to making improvements to current prevention materials, there is a need to increase awareness of problem gambling among teachers, administrators, parents, and the public.

The Ministry of Education is responsible for setting provincial curriculum, which all public schools must follow. Schools and individual teachers are responsible for determining the way in which the curriculum is taught and the resources they use. The education curriculum for Kindergarten to grade 9 (K-9) is currently being renewed, and a draft has been released for public consultation. The Ministry of Education is committed to developing the new curriculum in collaboration with educators, and curriculum development teams have been established to develop the curriculum for each subject area. The draft renewed curriculum focuses on building core competencies, skills, and knowledge while ensuring greater flexibility to meet the needs and interests of students. A review of the curriculum for grades 10 to 12 is currently underway and will have a similar focus.

The draft renewed curriculum for K-9 Physical and Health Education includes broad language for curricular competencies related to risky behaviour, which opens up a range of potential topics that may be taught. The draft renewed curriculum attempts to allow students to develop a general decision making framework tied to their personal identity, values, and goals. The approach that the provincial Responsible & Problem Gambling Program is taking to problem gambling education aligns well with the renewed curriculum because it focuses on building competencies in problem solving, making informed and responsible decisions, and accessing information on available resources and services.

⁵ Dickson, Derevensky & Gupta, 2002

The Ministries of Education, Finance, and Health will work together to increase awareness about problem gambling among youth and seek out a number of opportunities to build awareness of the need for education in this area. This will be done through information to Parent Advisory Councils (PACs), teacher and administrator professional development opportunities, and education resource networks. One resource network available for teachers to find new teaching materials is the Healthy Schools BC website⁶.

Healthy Schools BC, a key initiative of the Province's Healthy Families BC strategy, builds the capacity of the health and education sectors to effectively implement healthy schools initiatives using a Comprehensive School Health approach, and involves a partnership between the Ministries of Health and Education, the Directorate of Agencies for School Health (DASH BC)⁷, health authorities, education partners, and other key stakeholders. The Healthy Schools BC website includes links to learning resources that have been approved by the Healthy Schools BC management committee, and also provides a forum for sharing ideas and experiences among health and education professionals through a monthly newsletter, Healthy Schools stories map, and news updates section.

ACTIONS:

- *The Ministry of Education will share the findings of the PHO Report on Gambling as well as current research related to youth gambling with the Physical and Health Education curriculum development teams and other relevant specialist associations such as school counsellors.*
- *Links to responsible gambling education materials will be added to the new Physical and Health Education curriculum as well as to the Healthy Schools BC website and promoted in the Healthy Schools BC newsletter.*
- *The Ministries of Education, Finance, and Health will work together to increase awareness about the need for problem gambling education and its links with broader issues of risk-taking behaviour and promote related education materials.*

⁶ Healthy Schools BC at www.healthyschoolsbc.ca

⁷ Directorate Agencies for School Health at www.dashbc.ca

PROMOTING HEALTHY CHOICES

Responsible gambling involves accompanying gambling entertainment opportunities with the appropriate education, information, and tools to support players in making healthy choices about the way they spend their time and money. It also involves ensuring that people who may experience problem gambling have information and support to connect them with services that can help them address their problem. GPEB and BCLC already have in place many responsible gambling initiatives to support players. For example, BCLC is seen as a leader among gaming operators around the world in its responsible gambling programming. In 2013/14, BCLC received re-certification at Level 4 of the World Lottery Association Responsible Gambling framework, and was asked to contribute case studies in research and player education to be referenced by other gaming jurisdictions. Level 4 certification is considered a 'continuous improvement' category, and is the highest level an organization can achieve. To attain this level, BCLC has been required to provide evidence of program evaluation, gap identification, and commitment of resources to strengthen areas for improvement.

There are, however, opportunities to continue to expand responsible gambling initiatives and supports to players. This is particularly true in the area of new gambling offerings and business growth for BCLC, such as online gambling, and in areas of high-risk gambling offerings such as Electronic Gaming Machines (EGMs).

Communication to Players

GameSense Info Centres are in place in every casino and self-serve interactive kiosks are in place in every community gaming centre in the province to provide players with the opportunity to receive the information they need to make informed decisions about how they spend their time and money. The Centres are located on or near the gaming floor, and are thus highly visible in gaming facilities. They are also staffed by GPEB-contracted employees to provide information and support to players.

The Info Centres include interactive, touch-screen resources that are designed to demonstrate to players how games work, explain the difference between chance and skill based games, provide information about the odds of winning, dispel commonly held myths about gambling, and provide tips for responsible play. They include an independently developed slot machine tutorial that animates the workings of an EGM, introduces concepts like "near misses" and demonstrates a random number generator. In addition, many casinos also incorporate a GameSense demonstration slot machine that opens up and allows patrons to see electronic components of the machine.

GameSense Info Centres often host a wide variety of entertaining and engaging educational activities using prizes and giveaways designed to generate awareness and conversation about responsible gambling. Last year, BCLC conducted nearly 60 individual promotional activities at casinos and community gaming centres across the province. New activities are continuously being developed that cover a full range of games and services, tackle gambling myths, and encourage responsible play.

However, because not everyone who plays EGMs in gaming facilities chooses to visit the GameSense Info Centre, BCLC is exploring opportunities to provide EGM players in gaming facilities with point-of-play information. The PHO Report on Gambling recommended adding risk-rating signage on all EGMs. However, research on point-of-sale warnings on other high-risk products, such as tobacco and alcohol, suggests that signage on EGMs is likely to be

ineffective for problem gamblers.⁸ Additionally, it is not possible to distinguish different ratings for different types of EGM games because all EGMs are classified as high-risk gambling offerings. Instead, BCLC will focus on point-of-play messaging that explains the odds of winning. This type of information is intended to help increase informed decision making and correct erroneous beliefs about EGMs.⁹

ACTIONS:

- *BCLC is working with other gambling jurisdictions in Canada on constructive approaches to communicating 'odds' and 'return to player' on Electronic Gaming Machine screens to dispel myths about control and ability to win.*

Tools to Support Player Self-Monitoring

Offering supports, such as money and time pre-commitment tools, provides players with a convenient and easy way to self-manage their play online and in casinos. Financial pre-commitment has been a part of *PlayNow.com* since its launch in 2004. All players are required to self-select a maximum weekly transfer-in limit between \$1 and \$9,999. Within the week, the system will only allow the player to transfer-in up to the total amount selected. Players can decrease their weekly transfer-in limit at any time; however, increasing their limit will only take effect 24-hours from the time the request is submitted. Additionally, people's 'play history' is visible on the screen at all times, so they can view how much money and time they have spent.

These same financial and time management tools have not been available to players in casinos and community gaming centres. With the implementation of BCLC's new Gaming Management System, BCLC will have the capacity to offer such tools to players who are Encore Rewards members. Between 20 and 30 per cent of players hold an Encore Rewards card to earn points when they play slot machines and table games in casinos and to access exclusive promotions and contests.

ACTIONS:

- *Beginning in 2015, BCLC will offer new time and money budgeting tools to its Encore Rewards members. Similarly, enhanced tools have been developed for implementation on PlayNow.com.*

In addition to money management tools, current BCLC policy prohibits Automated Teller Machines (ATMs) from the gaming floor and restricts their visibility from the gaming floor in all casinos and community gaming centres. Gaming facilities do not grant credit to patrons, and maximum withdrawal limits on ATMs depend on personal financial institutions.

The PHO Report on Gambling recommended further reducing access to money in gaming facilities. Although the working group fully considered this recommendation, the concern with restricting electronic access to money through ATMs is that it would be contradictory to anti-money laundering strategies in gaming facilities. GPEB, BCLC, and gaming service providers are working to prevent criminal attempts to legitimize illegal proceeds of crime through gaming facilities. A number of steps are being taken to reduce the amount of cash that is brought into facilities and encourage the use of traceable, non-cash alternatives. In order to discourage patrons from arriving at BCLC gaming facilities with large amounts of cash, the opportunity for accessing cash at the facility through ATMs or electronic fund transfers must be made available.

⁸ Stockwell, June 2008; Kim et. al., 2014

⁹ Lucar, Wiebe, & Philander, 2013
Williams, West, & Simpson, 2012

Training for Gaming Facility Staff

BCLC requires all gaming facility staff that interact directly with players to successfully complete BCLC's Appropriate Response Training (ART) program. The initial program was developed by the Responsible Gambling Council (RGC), which is an independent non-profit organization dedicated to problem gambling prevention. Frontline staff complete an online course that provides information about signs of problem gambling and available resources, while management and supervisory staff receive more in-depth classroom training that focuses on how to interact with patrons exhibiting problem gambling behaviours or seeking assistance for a gambling problem. Training must be completed within 90 days of receipt of GPEB registration as a gaming worker, and a refresher course must be taken every three years.

The RGC and the Responsible Gambling Sub-Committee of the Interprovincial Lottery Corporation (ILC) have recently released new standards for casino gaming worker responsible gambling training. RGC's standards are incorporated into their RG Check program, a responsible gambling certification program developed for gaming facilities. All BCLC gaming facilities except one new facility¹⁰ have completed comprehensive RG Check audits and are fully certified. The new facility has been audited, and BCLC is awaiting the final report. ILC's standards have been developed to assist Canadian jurisdictions in developing their gaming worker training programs with the potential for cross-jurisdictional collaboration in developing training materials and delivery mechanisms in the future.

ACTIONS:

- *BCLC has conducted its third review of the Appropriate Response Training program for gaming facility staff, and in 2015, will be incorporating new approaches to problem gambling identification and response as recommended by the Responsible Gambling Council.*

Staff Training Regarding Alcohol and Gambling

Casinos and community gaming centres are adult-only entertainment facilities where there is a general expectation from patrons that alcohol is available. In order to enhance the consumer experience, BCLC and gaming service providers are making efforts to offer a broader range of entertainment options, such as music events and first-class dining, rather than strictly gambling. The availability of alcohol in gaming facilities is consistent with availability in other adult-entertainment facilities. In spring 2014, the provincial government implemented minimum drink pricing based on serving size. This pricing applies to all establishments that serve liquor, and is designed to encourage responsible consumption and public safety.

Similar to all other liquor establishments, staff that serve alcohol at casinos and community gaming centres must have completed the Serving It Right course as required by the province's Liquor Control and Licensing Branch. The course educates licensees, managers, and servers about the legal responsibilities when serving alcohol, signs of intoxication, and effective techniques to prevent problems related to over-service. Servers must refuse service to anyone who is intoxicated and ensure they leave the premise safely. Casinos and community gaming centres have a significantly higher security presence than other adult-oriented entertainment facilities, and for this and other reasons, alcohol consumption is typically lower and there are fewer alcohol-related incidents than what is found in bars, pubs, and nightclubs. For example, Edgewater Casino in Vancouver reported in 2013 that only one in five patrons actually purchased alcohol. However, the consumption of alcohol affects impulse control and risk-taking behaviour that can impact patrons' decisions about game play. For that reason,

¹⁰ Chances Maple Ridge

government and BCLC recognize the need to ensure that all gaming facility staff understand the relationship between alcohol consumption and potentially problematic gambling behaviour.

ACTIONS:

- *In implementing changes to the Appropriate Response Training program, BCLC will incorporate mandatory staff training about the cognitive effects of alcohol and the resulting increase in impulse behaviour. This will help all casino staff recognize signs of intoxication and problematic play so they may notify management staff, security staff, or GameSense Advisors to intervene when required.*

Interaction with Players in Gaming Facilities

When gaming facility staff identify patrons who are exhibiting problem gambling behaviour, they are trained to notify senior management or GameSense Advisors. Management staff and GameSense Advisors approach patrons who may be experiencing distress to offer them support, information, and referrals to problem gambling services and resources. The number of interactions with GameSense Advisors has been increasing by approximately 25 to 30 per cent each year since 2009. In 2013, there were 54,000 interactions between GameSense Advisors and gaming facility patrons.

GameSense Advisors are currently available in all 17 casinos, but are not in place in the 18 community gaming centres. BCLC has undertaken efforts to address this service gap, and in 2013, BCLC piloted the GameSense Education Outreach initiative. This initiative involved 10 contractors who were trained to conduct player-focused educational activities that promoted responsible gambling. They traveled to all community gaming centres across the province, and complete 156 shifts with the goal of increasing visibility and usage of GameSense self-serve centers and resources among players.

ACTIONS:

- *GPEB and BCLC plan to implement a GameSense Advisor presence in community gaming centres.*

Telephone Customer Service Interaction with Players

BCLC engaged a consultant to conduct a review to assess how problem gambling behaviour and call history could be proactively used to offer players responsible gambling support and resources. Customer support agents are frontline employees who deal with a wide spectrum of player interactions, ranging from account services and complaints to questions about products or games. Based on initial results from this review, it has become clear that BCLC could utilize customer support to assist players who may be experiencing a problem with gambling. When individuals call to make a complaint, the caller history is recorded. Sometimes ongoing complaints can be a sign that individuals are displaying problem gambling behaviours. Customer support agents have been trained to offer responsible and problem gambling resources only if callers request them. Customer support staff will now be trained to use call history and verbal cues garnered during live phone calls to identify individuals who may be experiencing issues with their gambling to conduct appropriate supportive engagements, including potential referrals to treatment.

ACTIONS:

- *BCLC is implementing a new Appropriate Response Training course that is specific to customer telephone support. It includes training on how to assess and respond to callers who may be experiencing difficulty with their gambling, details on available resources, procedures for handling third party concerns, and escalation guidelines. The course is mandatory for all customer support staff within 60 days of hire and*

recertification will be required annually. A new element of the ART program is new “red flag behavior” protocols.

The customer support team relies on a catalogue of online reference documents (knowledge articles) to quickly find information relevant to whatever issues a caller raises during a call. New articles containing specific responsible gambling information and links have been written to correspond with new procedures in the Appropriate Response Training course and are being made available for agents to use.

Supporting Online Players

Online gambling is an emerging part of the gambling industry that is complex and developing quickly. It is estimated that British Columbians wager over \$125 million each year on off-shore unregulated sites such as PokerStars, Bodog, PartyPoker, and Bet365.¹¹ GPEB is not able to regulate these offshore sites. BCLC’s *PlayNow.com* website offers players a secure, regulated site to participate in casino, lottery, bingo, and sports betting offerings online. *PlayNow.com* represents a significant area of business growth for BCLC. Since the website was launched in 2004, gross revenue has increased from \$300,000 to \$91 million in 2013, and the number of registered players has increased from 30,000 to over 265,000.

PlayNow.com includes a number of responsible gambling initiatives including mandatory pre-commitment, information on time and purchase history, and easy access to GameSense information and BCLC’s Voluntary Self-Exclusion program. However, BCLC does not presently monitor individual player activity on *PlayNow.com* and cannot identify potentially distressed players the way staff in gaming facilities are able to do through observation.

To explore opportunities for communicating more relevant information to players, BCLC has engaged researchers from the International Gaming Institute of the University of Nevada Las Vegas. They have evaluated BCLC’s ability to identify different sub-groups of players based on factors such as frequency or amount of play and to provide customized responsible gambling messaging.

ACTIONS:

- *BCLC will implement customized responsible gambling messaging to PlayNow.com account holders as well as BCLC Encore members. This initiative will provide individuals who may be displaying signs of problem gambling with messaging about available support and resources.*
- *BCLC will engage an international team of researchers in a longitudinal research project to evaluate the impact of customized messaging on player behaviour.*
- *BCLC has also worked with the Responsible Gambling Council in developing and implementing their new Responsible Gambling Check accreditation program for online gaming. In anticipation of being the first online gambling platform to officially participate in this program, BCLC has initiated a number of changes in its approach to online responsible gambling, including better documentation of processes, policy reviews, and customer support training. The Responsible Gambling Council is auditing PlayNow.com.*
- *GPEB will update its Responsible Gambling Standards to include online gambling on PlayNow.com. These standards must be followed by BCLC and all gaming service providers in British Columbia.*

¹¹ Ipsos Reid. 2013

PROBLEM GAMBLING SUPPORT AND TREATMENT SERVICES

Current Problem Gambling Treatment

GPEB's Responsible & Problem Gambling program offers free, confidential counselling and treatment services to individuals seeking help with gambling addiction as well as couples and family members who may need help. Any British Columbian can access these services regardless of age, language, or location, and ending gambling participation is not a condition to receive treatment services. The program is offered province-wide and counsellors can provide outreach services to remote communities or telephone services when travel is not possible. All services are free of charge, and there are no waitlists.

In addition to individual, couple and, family therapy, an intensive day treatment program called the Discovery Program is available to existing clients. Discovery is a free, multi-day group treatment program that runs between two and five days and builds skills useful in recovery, increasing self-awareness about relationships with gambling, and visions for moving forward, all done in a group setting where experiences and perspectives about gambling issues can be shared. Discovery is offered throughout the Lower Mainland and on Vancouver Island. Individuals from outside of these areas can access the program, but must make their own travel arrangements. However, in cases of financial need, subsidies may be available to assist with costs.

Brief interventions and motivational enhancement therapy, as recommended in the PHO Report on Gambling, are both used in the existing treatment program. These include psycho-educational workshops offered through the Discovery program, relapse prevention groups and Dialectical Behaviour Therapy (DBT) groups, as well as individual, couples, and family counselling.

The Responsible & Problem Gambling program is a global leader in the use of Feedback Informed Treatment (FIT) to assess the effectiveness of the problem gambling services offered. In this approach, counsellors regularly check in with clients to make sure that they are getting what they need from services. The use of this tracking method is new to the field of counselling, and British Columbia is a global leader in this recognized best practice. Together, counsellors and clients monitor progress using web-based software called MyOutcomes to track outcomes related to clinical services. Outcomes include engagement rate, effectiveness rate, and client satisfaction. All clients participate in MyOutcomes tracking, and of these, 73.8 per cent have experienced clinically significant improvement in their well-being as a result of counselling. A good completion rate is typically considered to be 65 per cent, and GPEB's program is therefore achieving excellent client outcomes and value for the funding that is invested in this program.¹²¹³

¹² Miller, S., email communication January 27, 2014 (Dr. S. Miller is one of the developers of the FIT approach and has provided the provincial Responsible and Problem Gambling program with interpretation of the MyOutcomes data).

¹³ The provincial Responsible and Problem Gambling clinical programs have also proven to be effective in contributing to client change based on measuring the "corrected effect size." This statistical measure reveals how much RPGP treatment actually contributed to client change, versus clients improving due to chance, placebo, or unrelated events. MyOutcomes data on corrected effect size show that the counselling program is above average in comparison to other counselling programs. RPGP's current corrected effect size for clients who have completed treatment is achieving clinically significant, effective outcomes. The current corrected effect size is 0.5 (cumulative data since March 2012). The expected industry norm for average counselling effectiveness is a corrected effect size of 0.

Additionally, the Responsible & Problem Gambling Program has currently contracted with an independent research company to conduct a longitudinal outcome study of clients who have completed counselling. Outcome measures will be tracked pre and post treatment, including at 6 months and 1 year after completing counselling.

Treatment and Outreach Services to Assist Aboriginal People

The 2014 Problem Gambling Prevalence Study found that individuals of Aboriginal origins were significantly more likely than other cultural groups to experience problem gambling. Approximately 5.5 per cent of Aboriginal people are classified as moderate or severe problem gamblers compared to approximately 3.3 per cent of the overall adult population in BC.

In 2012, GPEB's Responsible and Problem Gambling Program created a dedicated Aboriginal Services Coordinator position to ensure that problem gambling prevention and treatment services are culturally sensitive and tailored to meet the needs of Aboriginal people. The program also has seven Aboriginal service providers who deliver prevention, outreach, and treatment services to Aboriginal people. Service providers travel to northern and rural communities to build relationships with communities and connect with individuals who may be experiencing problem gambling. Once a face-to-face relationship has been established, the Responsible and Problem Gambling Program offers problem gambling counselling in person and/or by telephone to ensure that people in rural and remote communities are able to access these services.

The Responsible and Problem Gambling Program is partnering with the Evergreen Council on Problem Gambling, a non-profit organization in Washington State that provides services to problem gamblers and their families, to deliver an International Indigenous Conference on Problem Gambling in October 2015. The conference will be designed to raise awareness about healthy lifestyle choices including best practices about prevention, support, and treatment services for those acutely affected by problem gambling. The conference will be targeted for Indigenous community leaders, organizations, and professionals who assist people with problem gambling and will be delivered with a broad health promotion focus.

Linking Problem Gambling Treatment with the Broader Health System

People struggling with gambling dependence often also face other simultaneous dependencies on drugs or alcohol, sex, food, gaming, shopping, or the internet. Lorains, Cowlshaw, and Thomas (2011) undertook a review of peer-reviewed and unpublished research from 1998 to 2010 regarding comorbid disorders in problem gamblers. Their review found that approximately 60 per cent of individuals with a gambling problem are addicted to nicotine, 57.5 per cent are addicted to other substances including drugs and alcohol, and almost 38 per cent suffer from a mood disorder.¹⁴ Substance use can lower a person's inhibitions and judgment to set and maintain gambling limits. The presence of multiple dependencies may result in increased frequency and magnitude of consequences, which can further increase the person's shame and guilt around their behaviours. Similarly, the 2014 Problem Gambling Prevalence Study found that problem gamblers are significantly more likely than non-problem gamblers to experience a mental health issue, such as a mood disorder or an anxiety disorder or have contemplated or attempted suicide. The study also found that problem gamblers are significantly more likely than non-problem gamblers to experience substance use issues and to gamble while using alcohol or drugs.

Currently, mental health and substance use services offered across regional health authorities provides both assessment and screening for problematic gambling by clinicians within their

¹⁴ Lorains, Cowlshaw & Thomas, 2011

broader clinical assessment processes. Upon the results of a clinical assessment where problematic gambling has been identified, clinicians will work with their clients to link to associated gambling resources available through GPEB's Responsible & Problem Gambling Program. Mental health and substance use clinicians will refer clients to these available services at the client's discretion. Clients may choose to access the available services, or continue to receive treatment through their current mental health and substance use clinician.

GPEB and the Ministry of Health recognize the importance of continuity of care for individuals who face inter-related problems. While problematic gambling screening and assessment are currently available in the broader mental health and substance use treatment system, a more formal collaborative approach for persons with concurrent or comorbid issues may require additional efforts and focus. It is thus, the intention of the Ministries of Finance and Health to address the broader discussion of improving continuity of care for clients by further linkages between programs.

ACTIONS:

- *The Ministry of Finance will partner with the Ministry of Health to further explore problematic gambling screening and collaborative care planning for clients with co-occurring issues with the goal of improving the overall continuity of care.*

RESPONSIBLE AND PROBLEM GAMBLING POLICY AND RESEARCH

When decisions are made about gambling expansion or the types of gambling offerings available, consideration is given to impacts on problem gamblers. Both the government and BCLC take risks associated with gambling seriously and are committed to ensuring that gambling in British Columbia is offered in a socially responsible way. There are opportunities, however, to improve the availability of information that is provided to decision makers both at the provincial and community level. This can be done by sharing best practices among provincial and municipal governments and among program areas and by supporting problem gambling research.

Government Gaming Policy

GPEB and BCLC have the mandate to determine how gambling is delivered in the province. BCLC is required to seek Ministerial approval to introduce new types of gambling offerings. For example, the government approved the introduction of *PlayNow.com* as well as new games offered on the website. With approval from host local governments, BCLC has discretion to locate and relocate gaming facilities and determine their size in order to meet market demand.

The cross-ministry working group established to consider the PHO recommendations and other relevant research on gambling has helped build a partnership between public health and gambling policy staff, and has emphasized the value of a public health perspective in decision making on gambling policy. There is a need for ongoing collaboration among stakeholders to share and analyze best practice research related to responsible and problem gambling and to create a deliberate and integrated approach to the safe delivery of gambling in British Columbia.

ACTIONS:

- *The Ministries of Health and Finance, with BCLC, will be responsible for maintaining a working group with stakeholders and the Ministry of Education as required, to continue dialogue regarding policy and legislative decisions that involve the expansion of gambling in the province, issues related to the public health risks of gambling, and alignment of policies and practices. The working group will act as an advisory committee for government decision makers. It will have a mandate to ensure that gambling policy is informed by reliable research and best practices, creating a fulsome understanding of the social and economic implications of gambling.*

Informed Decision Making for Communities

The *Gaming Control Act* requires municipal approval for decisions about relocation or expansion of casinos and community gaming centres. The establishment of a new gaming facility or the expansion of an existing facility is initiated by BCLC.

BCLC's first step is to conduct a market analysis, which involves assessment to determine whether the gaming revenue potential for a particular market area will support a new gaming facility or the expansion of an existing facility. BCLC must ask the host local government for written approval before locating or relocating a facility. The service provider is responsible for submitting to BCLC a preliminary business plan that details how the market potential will be realized. This plan includes a description of the proposed facility, its proposed location, and how it will be marketed and financed.

Under the *Gaming Control Act*, host local governments must ensure an opportunity for public input and must consult with potentially affected neighbouring communities before a decision is made to approve the proposal. This process may be done through a public hearing, but each municipality sets its own process for consultation. Municipal governments may request

information from the service provider and from BCLC, such as revenue, roles and responsibilities, safety and security, and responsible gambling programs. BCLC provides information to potential host local governments on a case-by-case basis at the request of the municipality. There is currently no standard information provided to municipalities to ensure that they receive a fulsome understanding of the benefits and risks involved with expanding gambling in their communities.

Additionally, decisions about the availability of alcohol in gaming facilities are made by the Liquor Control & Licensing Branch in consultation with municipalities. The availability of alcohol at casinos and community gaming centres is restricted to the licenced area. Many casinos and community gaming centres have liquor-primary licences, which permit the availability of alcohol on the gaming floor, while others have food-primary licences, which require that alcohol only be served within the dining area. Because the consumption of alcohol affects impulse control and risk-taking behaviour, it is important that decisions about the availability of alcohol in gaming facilities are made with an understanding of the risks as well as factors that can mitigate those risks. Factors that can diminish patrons' risk of intoxication include the availability of high quality food at affordable prices, less expensive non-alcoholic beverages, the size of the licensed area, hours of service, and maximum serving sizes available.

ACTIONS:

- *The provincial government will develop a standardized package of information outlining the public health risks of gambling. It will be offered to municipalities to assist decision makers in their analysis of gaming expansion and ensure that they have a full understanding of the risks and benefits of expanding gambling in their communities. The package will include information about problem gambling prevalence, availability of alcohol, high-risk games, and revenue generated from problem gamblers.*

Centre for Gambling Research at the University of British Columbia

With respect to new research on problem gambling, the government and BCLC have committed \$2 million over five years to support the establishment of the Centre for Gambling Research at the University of British Columbia (UBC). The Centre officially opened on November 12, 2014. UBC has received \$1 million in the first year and will receive \$250,000 in each of the subsequent four years. UBC is also expected to explore and obtain other funding sources and grants for the Centre. The Centre is being led by Dr. Luke Clark, who is a cognitive neuroscientist and renowned expert on problem gambling and dependence.

The Centre will independently determine the type of research it will undertake, and will operate with complete academic independence from the government, BCLC, and the gambling industry. The Centre, however, plans to establish a cross-disciplinary advisory committee to provide input on research topics and alignment with the needs of policy makers and program developers. The government and BCLC would like to see the Centre fully established and operating before making ongoing funding commitments to research.

ACTIONS:

- *The Government and BCLC will consider long-term funding of the Centre for Gambling Research at UBC in 2017.*

Other Research Supported by BCLC

BCLC funds a wide-range of research on an as-needed basis, and has maintained a robust responsible gambling research program, which has been cited by the World Lottery Association (WLA) as a "best practice" standard. The WLA's independent panel has requested that BCLC prepare a case study on the research program as a reference for other WLA members.

Research is generally conducted in order to evaluate the effectiveness of current programs, determine player receptivity to new responsible gambling programming concepts, inform opportunities for new responsible gambling initiatives, and to assess player and public awareness of responsible gambling programming. This research may be undertaken internally by BCLC's research department using a proprietary panel of gambling participants, commissioned to independent researchers, or co-sponsored by a third party or by two or more Canadian gaming jurisdictions to address areas of common concern. Examples of research projects that have been undertaken in recent years include:

- A longitudinal study of the VSE program (November 2011) and follow up study currently underway;
- A study on youth and gambling to inform the development of programming around youth gambling at both GPEB and BCLC;
- Market Insights Monitor used to track BCLC key performance indicators, including player awareness of responsible gambling;
- Appropriate Response Training (ART) evaluation;
- A joint initiative with other Canadian gambling jurisdictions on linking self-exclusion programs to treatment; and
- A joint initiative with other Canadian gambling jurisdictions on how to provide essential information to slot players, such as odds of winning and return to player.

Going forward, research on EGMs and on online gambling is a priority for GPEB and BCLC because EGMs are a particularly high-risk gambling offering and online gambling is a relatively new gambling offering.

High-Risk Gambling Offerings

EGMs (slot machines) are available in casinos and community gaming centres throughout British Columbia. The PHO Report on Gambling identifies that there has been a 200 per cent increase in the number of slot machines in the province since 2003. EGMs are known to be higher risk than other gambling activities because of game features such as the speed of play and the illusion of control. While EGMs generate the greatest amount of revenue, they also pose risks to people who are at-risk for problem gambling.

British Columbia is one of only two provinces in Canada that does not allow Video Lottery Terminals (VLTs), which are EGMs outside of gaming facilities such as pubs and bars. In British Columbia, EGMs are only permitted in gaming facilities where trained staff are able to monitor players and potentially identify problem gambling. This also facilitates an effective VSE program because self-excluded players can be restricted from gambling by prohibiting their access to gaming facilities. In jurisdictions where VLTs are available in pubs, bars, and other establishments, it is not possible to restrict people's exposure or access to these high-risk forms of gambling.

Some provinces that offer VLTs are re-examining their policies. For example, after extensive research, the Government of Nova Scotia has reduced the number of VLTs in its province by 1,000 since 2005 and continues to have a moratorium on the addition of any new VLTs.¹⁵ Similarly, New Brunswick has reduced the number of VLT sites in the province by 50 per cent and the number of VLT machines by nearly 25 per cent¹⁶, and Prince Edward Island has reduced the number of VLT sites by 50 per cent and the number of VLTs by 20 per cent.¹⁷

¹⁵ Government of Nova Scotia. 2011

¹⁶ New Brunswick Lotteries and Gaming Corporation, 2012

¹⁷ Government of Prince Edward Island, 2008

In British Columbia when new games are introduced in gaming facilities or online, BCLC uses an assessment tool called GAM-GaRD to generate a risk profile of the game. GAM-GaRD works by examining three types of characteristics of the game:

- *Structural features*, which reinforce play and satisfy gamblers' interest in the game. These include design features of the game such as the speed of play, "near win" opportunities, illusion of control features, jackpot size, and graphic, lighting and sound effects.
- *Situational characteristics*, which persuade or entice people to play the game. These include such features as the availability and accessibility of the game, advertising, and sensory factors.
- *Responsible gambling features*, which mitigate the risks involved with playing the game. These can include such features as the use of pop-up warnings and spending limits.

GAM-GaRD generates a numerical score for each game tested with a maximum possible score of 47.5. A GAM-GaRD score of less than 20 is considered a low-risk game, a score between 20 and 30 is medium-risk, and a score above 30 is high-risk. One of the most significant contributing features to a high-risk score is speed of play. Games like lottery draws and ticket raffles typically have low-risk scores, while all EGMs score as high-risk.

Slot machines are among the most popular games played both in gaming facilities and online. The game design features that make EGMs enjoyable for non-problem gamblers can also be problematic for those who are at risk of problem gambling. Therefore, a balance must be struck between delivering entertainment while also protecting vulnerable individuals. GPEB and BCLC are interested in undertaking research to better understand the impacts of EGM design features on player behaviour both in terms of interest in the games and problematic play.

ACTIONS:

- *In addition to increasing responsible gambling features, GPEB and BCLC will undertake research to determine the impacts of reducing or minimizing higher risk features of Electronic Gaming Machines.*

Research on Online Gambling

The 2014 Problem Gambling Prevalence Study found that problem gamblers are more likely to participate in online gambling than non-problem gamblers. This finding is consistent with much of the literature related to online gambling.¹⁸ However, there is little research to understand whether this is a causal relationship, and some research even suggests that participation in online gambling may be negatively related to problem gambling severity.¹⁹ Philander & MacKay (2014) suggest that this may be because lower-denomination games are more widely available online than in casinos, which means smaller wagers are possible and players are better able to manage the amount of money they spend on gambling. As well, the convenience of being at home may actually help limit the length of gambling sessions since there are many alternative non-gambling activities at home unlike at gaming facilities. Legalized online gambling allows for regulation and improved player security as well as links to responsible and problem gambling information and services.

Both government and BCLC are committed to ensuring that responsible gambling initiatives online are evidential based. In addition to keeping apprised of national and international

¹⁸ Griffiths & Barnes, 2006; McBride & Derevensky, 2009; Wood & Williams, 2011; and Gainsbury, Russell, Wood, Hing & Blaszczynski, 2014

¹⁹ Philander & MacKay, 2014

research on internet gambling, government and BCLC recognize a need for research to better estimate and understand online gambling participation among British Columbians and problem gambling among online players. This research should include *PlayNow.com* and other unregulated online gambling websites that British Columbians use.

ACTION:

- *GPEB and BCLC will undertake research to estimate online gambling prevalence and problem gambling prevalence among online players in British Columbia.*

CONCLUSION

British Columbia is seen as a leader in the delivery and effectiveness of many of its programs and services related to responsible and problem gambling. For example, as described under the Promoting Healthy Choices section, treatment services offered through GPEB's Responsible & Problem Gambling program have proven to have excellent client outcomes that exceed international norms. This program is an example of high-quality service and excellent value for the money that is invested. Additionally, as explained in the section on problem gambling prevention in youth and young adults, the Responsible & Problem Gambling program is currently shifting the focus of its prevention strategies and initiatives to ensure they meet the most up-to-date evidence on prevention and education related to risk-taking behaviour among youth. Similarly, BCLC is seen as a leader among gaming operators in its responsible gambling program, GameSense. As described in the Promoting Healthy Choices section, BCLC has achieved the World Lottery Association's highest responsible gambling certification. All casinos and community gaming centres have been certified through the Responsible Gambling Council's RG Check program, and *PlayNow.com* is expected to be the first online gambling platform to be certified by the Canadian Responsible Gambling Council's RG Check program.

Moving forward, the government and BCLC are committed to ongoing improvements in the areas of problem gambling prevention, responsible gambling support to players, treatment services to problem gamblers, and research. The cross-ministry working group established to consider the PHO Report's recommendations and other relevant research and policy has created a unique opportunity to raise awareness across government about the benefits as well as the negative effects of gambling and to build relationships among professionals working in gambling, public health, and education policy. Moving forward, the Ministries of Finance, Health, and Education are committed to working collectively with BCLC to implement the action items in this plan, and ensure that gambling is offered to British Columbians in a way that is safe and responsible by mitigating harmful impacts to individuals and communities.

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APPENDIX A: SUMMARY OF RECOMMENDATIONS

Problem Gambling Prevention for Youth and Young Adults

1. The provincial Responsible & Problem Gambling program will link with the University of Victoria's Centre for Addictions Research and other researchers to work towards linking problem gambling education with broader issues of substance use, including preventing and addressing dependence and fostering positive mental health and social and personal responsibility.
2. Within available resources, the provincial Responsible and Problem Gambling Program is shifting its prevention services to incorporate a greater focus on problem solving and critical thinking and prioritizing the need to ensure programs as effective as possible for students.
3. The Ministry of Education will share the findings of the PHO Report on Gambling as well as current research related to youth gambling with the Physical and Health Education curriculum development teams and other relevant specialist associations such as school counsellors.
4. Links to responsible gambling education materials will be added to the new Physical and Health Education curriculum as well as to the Healthy Schools BC website and promoted in the Healthy Schools BC newsletter.
5. The Ministries of Education, Finance, and Health will work together to raise awareness about the need for problem gambling education and its links with broader issues of risk-taking behaviour, and promote related education materials.

Promoting Healthy Choices

6. BCLC is working with other gambling jurisdictions in Canada on constructive approaches to communicating 'odds' and 'return to player' on Electronic Gaming Machine screens to dispel myths about control and ability to win.
7. Beginning in 2015, BCLC will offer new time and money budgeting tools to its Encore Rewards members. Similarly, enhanced tools have been developed for implementation on *PlayNow.com*.
8. BCLC has conducted its third review of the Appropriate Response Training program for gaming facility staff, and in 2015, will be incorporating new approaches to problem gambling identification and response as recommended by the Responsible Gambling Council.
9. BCLC will incorporate mandatory staff training about the cognitive effects of alcohol and the resulting increase in impulse behaviour.
10. GPEB and BCLC plan to implement a GameSense Advisor presence in community gaming centres.
11. BCLC is implementing a new Appropriate Response Training course that is specific to customer telephone support. It includes training on how to assess and respond to callers who may be experiencing difficulty with their gambling, details on available resources, procedures for handling third party concerns, and escalation guidelines.

12. BCLC will implement customized responsible gambling messaging to *PlayNow.com* account holders as well as BCLC Encore members.
13. BCLC will engage an international team of researchers in a longitudinal research project to evaluate the impact of customized messaging on player behaviour.
14. BCLC has worked with the Responsible Gambling Council in developing and implementing their new Responsible Gambling Check accreditation program for online gaming. In anticipation of being the first online gambling platform to officially participate in this program, BCLC has initiated a number of changes in its approach to online responsible gambling, including better documentation of processes, policy reviews, and customer support training. The Responsible Gambling Council is auditing PlayNow.com.
15. GPEB will update its Responsible Gambling Standards to include online gambling on *PlayNow.com*. These standards must be followed by BCLC and all gaming service providers in British Columbia.

Problem Gambling Support and Treatment Services

16. The Ministry of Finance will partner with the Ministry of Health to further explore problematic gambling screening and collaborative care planning for clients with co-occurring issues with the goal of improving the overall continuity of care.

Responsible and Problem Gambling Policy and Research

17. The Ministries of Health and Finance, with BCLC, will be responsible for maintaining a working group with stakeholders and the Ministry of Education, to continue a dialogue regarding policy and legislative decisions that involve expansion of gambling, issues related to the public health risks of gambling, and alignment of policies and practices.
18. The provincial government will develop a standardized package of information outlining the public health risks of gambling. It will be offered to municipalities to assist decision makers in their analysis of gaming expansion and ensure that they have a full understanding of the risks and benefits of expanding gambling in their communities. The package will include information about problem gambling prevalence, availability of alcohol, high-risk games, and revenue generated from problem gamblers.
19. Government and BCLC will consider long-term funding of the Centre for Gambling Research at the University of British Columbia in 2017.
20. GPEB and BCLC will undertake research to determine the impacts of reducing or minimizing higher risk features of Electronic Gaming Machines.
21. GPEB and BCLC will undertake research to estimate online gambling prevalence and problem gambling prevalence among online players in British Columbia.

This is Exhibit "J" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1

Signed copy.
+ Zacttach.

Ministry of Finance**DECISION NOTE**

To: Honourable Michael de Jong, Q.C.
Minister of Finance

Date Requested: October 1, 2013

Date Required: October 4, 2013

Date Prepared: October 4, 2013

Initiated by: Peter Milburn
Deputy Minister

Ministry Contact: Cheryl Wenezenki-Yolland
Associate Deputy Minister

Phone Number: [REDACTED]

Email: [REDACTED]

332088

TITLE: Review of British Columbia Lottery Corporation

PURPOSE:

☒ **DECISION REQUIRED**

COMMENTS:

The October 3, 2011, Speech from the Throne committed the government to perform reviews of British Columbia Crown corporations and other agencies. Internal Audit and Advisory Services has conducted reviews and provided recommendations to improve the economies and efficiencies of crowns such as British Columbia Hydro, Insurance Corporation of British Columbia, Community Living British Columbia. Internal Audit is currently conducting a review of Partnerships British Columbia.

Executive Director approval: _____

ADM approval: _____

DM approval: _____



Briefing Document**Page 2****DATE PREPARED:** October 4, 2013**TITLE:** Review of British Columbia Lottery Corporation**ISSUE:** To determine if Internal Audit and Advisory Services should proceed with a review of British Columbia Lottery Corporation.**BACKGROUND:**

The British Columbia Lottery Corporation (BCLC) is a provincial Crown corporation that is responsible for operating and managing lottery, casino, commercial, bingo, community gaming and online gambling in a socially responsible manner on behalf of the Province. BCLC must balance the need for revenue generation with a commitment to social responsibility and integrity. The corporation is regulated by the Ministry of Finance's Gaming Policy and Enforcement Branch.

There are many gaming products managed by BCLC such as lottery tickets, online casinos and slot machines in gaming centres. Most of its products are offered through BCLC's distribution network, which comprises of more than 3,800 lottery retailers, 17 casinos, 19 community gaming centres and 7 commercial bingo halls. While casinos and community gaming centres in British Columbia are privately owned and operated, BCLC owns the equipment and sets the policies and procedures for these facilities. In addition some products are available directly through BCLC's PlayNow.com website.

As part of its mandate, BCLC delivers net income to the Province which benefits local and provincial priorities, including health care, education, families, charities and community projects. In 2012/13, BCLC provided \$1.2 billion for the benefit of British Columbians. BCLC's continued contribution to government revenues is critical to the success of the Province's fiscal plan.

DISCUSSION:

A review of BCLC would assess the growth of gaming related products and determine that the risks associated with these products are addressed by BCLC, in particular, online gaming. The ever-increasing use of internet on smart phones and other devices has created an opportunity for BCLC to target new markets for gaming. These opportunities present new risks including integrity of games, personal information and responsible gaming by its customers.

IAAS would assess the effectiveness of initiatives implemented by BCLC to ensure gaming is offered in a socially responsible fashion in the Province of British Columbia. IAAS would also evaluate BCLC's current \$100M transformation project as well as other eGaming initiatives and agreements with other jurisdictions.

The review of BCLC would assess other key areas such as financial performance to ensure the organization is in line with government directions and priorities, including:

- Operating and administration costs;
- Employee compensation; and
- Cost mitigation strategies.

An alternative option to a review of BCLC could be to have IAAS perform a review of another crown corporation or agency such as WorkSafeBC. This review would include examining financial performance, governance and information technology practices of the organization.

A crown review would be expected to begin fieldwork in November 2013 with on-going communication, and regular updates provided to an Executive Steering Committee of deputy ministers, chaired by the Deputy Minister, Corporate Initiative, Office of the Premier. The review team would be comprised primarily of staff from IAAS with other government resources as needed.

It is expected that the draft report summarizing the results of the review will be issued in April 2014 to the Executive Steering Committee for their review and comment.

As with other crowns, IAAS would develop briefings to the minister as well as the Planning and Priorities Committee and work with Government Communications and Public Engagement to prepare the media release package.

If a crown review is not desired at this time, IAAS could review ministry program areas and provide recommendations to improve the efficiency and effectiveness of the program areas. IAAS would work collaboratively with ministries to identify areas where savings could be realized as well as supporting their core review process.

OPTIONS:

1. Conduct a review of BCLC.

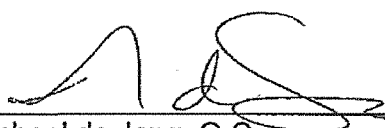
- BCLC is considered the highest priority as it is one of the largest crown corporations in British Columbia with a net income in 2013 of \$1.2 billion. BCLC's continued contribution to government revenues is key to the Province's fiscal plan.
- BCLC's expansion into online gaming provides an opportunity for significant growth and ensuring risks are addressed appropriately would contribute to its success.

2. **Conduct a review of an alternate crown corporation or agency such as WorkSafeBC.**
 - WorkSafeBC has a significant impact on British Columbians through worker compensation premiums charged to businesses as well as claim costs paid to individuals (\$1.15B and \$2.25B, respectively).
 - As WorkSafeBC is self-sustaining, there is no direct impact on the provincial fiscal plan. However, the long term economic well-being of British Columbia could be challenged due to rising premiums and claim costs.
3. **Do not conduct a review of a crown corporation or agency at this time and focus Internal Audit resources on ministry program areas.**
 - This activity would contribute to ensuring government is providing its services in the most efficient and effective manner.
 - It does not meet the mandate identified in the October 3, 2011, Speech from the Throne to perform reviews of British Columbia Crown corporations and other agencies.

RECOMMENDATION:

Option 1: Conduct a review of BCLC.

APPROVED / NOT APPROVED



Michael de Jong, Q.C.
Minister

Date

Oct. 29 2013

This is Exhibit "K" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1

Review of: British Columbia Lottery Corporation

INTERNAL AUDIT
AND ADVISORY SERVICES



Ministry of
Finance

**Review of the British Columbia Lottery Corporation
(BCLC)**

**Internal Audit & Advisory Services
Ministry of Finance**

Date of fieldwork completion: October 2014

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Abbreviations

AML	Anti-Money Laundering
B2B	Business-to-Business
BC	British Columbia
BCLC	British Columbia Lottery Corporation
BCM	Business Continuity Management
BCP	Business Continuity Plan
BT	Business Technology Division
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGC	Community Gaming Centre
CIO	Chief Information Officer
Compensation Policy	Crown Corporation Executive Compensation Policy
DRP	Disaster Recovery Plan
FINTRAC	Financial Transactions and Reports Analysis Centre of Canada
FTE	Full Time Equivalent
GCA	Gaming Control Act
GLE	Government's Letter of Expectations
GMS	Gaming Management System
GPEB	Gaming Policy and Enforcement Branch
GSA	GameSense Advisor
HLG	Host Local Government
HR	Human Resources
IAAS	Internal Audit and Advisory Services

ICBC	Insurance Corporation of British Columbia
IPS	Information Privacy and Security
IT	Information Technology
OSA	Operational Service Agreement
PG	Problem Gambling
PHO	Provincial Health Officer
PSEC	Public Sector Employer's Council
RG	Responsible Gambling
VLT	Video Lottery Terminal
VP	Vice President
VSE	Voluntary Self-Exclusion

Executive Summary

British Columbia Lottery Corporation (BCLC) is a Crown corporation reporting to the Minister of Finance. It provides gaming entertainment for its patrons and generates net win of approximately \$2.1 billion annually with over 75% of the adult population participating in some form of gaming, including the purchase of a lottery ticket, in the past year. One of BCLC's key measures of success is net win, which is total gaming revenue after prizes are paid. Since fiscal 2008/09 net win has been relatively stable with little growth.

BCLC's head office is in Kamloops, with a corporate office in Vancouver, and employs approximately 900 people. In addition to the three gaming divisions (lottery, gaming facilities and eGaming), BCLC also has corporate activities that include marketing and distribution, finance, human resources and information technology (IT). These activities are integral in supporting gaming operations, as well as meeting BCLC's responsibilities as an employer and Crown corporation.

As part of government's commitment to review Crown corporations, Internal Audit and Advisory Services (IAAS) conducted a review of BCLC to ensure it is being well managed and adhering to government's mandate. IAAS, working with a Deputy Ministers' Committee, evaluated BCLC's gaming and financial operations, organizational governance, forecasting, cost mitigation and IT.

Lotteries

Lottery products include lotto draw games, instant win games and social games, sold through approximately 3,800 lottery retail locations. Net win from lotteries has remained stable and accounts for 21% of BCLC's total net win.

Overall, BCLC has strong oversight tools to manage lottery operations and continues to educate and monitor lottery retailers for compliance with prize payout best practices. The Lottery Division faces a number of challenges over the coming years to address its aging technology, as well as its concern about a declining customer base due to an aging demographic and a younger generation less interested in playing lottery games. A lottery optimization project was initiated to provide a long-term business strategy and plan to address these issues. The project is currently on hold due to other corporate priorities.

BCLC has expanded its retail network to include Signature stores, with the concept to enhance the player experience and attract the younger generation. Given the significantly higher capital investment than typical for a kiosk, and with no business case or formal evaluation criteria, it is difficult to determine if these stores are achieving their objectives. Results to date indicate minimal growth in sales over what it replaced.

Both BCLC and the Gaming Policy and Enforcement Branch (GPEB) conduct oversight of lottery retailers to help ensure that they meet their contractual and legal requirements. The primary emphasis of oversight is on prize payout procedures which are typically tested through secret shopper programs conducted by both BCLC and GPEB. Over the last two years, BCLC reported compliance of nearly 90%.

Gaming Facilities

Gaming facilities include 17 casinos, seven commercial bingo halls and 18 community gaming centres (which offer slot machines and bingo) all run by service providers. Net win from gaming facilities grew significantly until fiscal 2008/09 as more facilities were opened and since that time has stabilized. Currently, 76% of BCLC's net win is generated in gaming facilities with Host Local Governments receiving a 10% commission of the net gaming revenue of gaming facilities in their jurisdictions.

BCLC's relationship with service providers is similar to that of a franchisee in that franchisees are granted the right to provide services with controls regarding service standards. Service providers own or lease the gaming facility and are required to provide staff, as well as ensure the physical security of the building and equipment.

BCLC has a 10 year operational service agreement with each gaming facility service provider. These agreements currently lack performance standards, such as revenue targets or responsible gambling requirements, which would improve operational management and oversight and allow BCLC to better monitor the service providers' performance.

Gaming facilities received operating and facility commissions amounting to approximately \$630 million in fiscal 2013/14. Depending on the mix of games offered, the operating commissions typically range from 25% to 40% of net win. Facility commissions ranging from 3% to 5% of net win are also paid on eligible expenditures, to assist in capital investments by the service providers, in order to provide higher quality facilities and thereby increase player visits. These project based commissions are

payable upon substantial completion; however, this practice is not consistently followed and has resulted in gaming facilities receiving commissions at earlier stages. It has been nearly 20 years since the commission structure in British Columbia (BC) was created and BCLC is currently unable to clearly demonstrate the effectiveness of the commission structure.

Currently, BCLC does not have a clear set of criteria to differentiate between a conversion, relocation and a new gaming facility. When establishing a new facility, BCLC should ensure that a competitive process is used in keeping with the spirit and intent of government procurement policy.

BCLC is undergoing the implementation of a new gaming management system to replace its legacy casino applications at 35 gaming facilities across the province. The project is expected to be completed by March 2015 at a total cost of \$119 million and is generally progressing in scope, on schedule and under budget. However, current revenue projections suggest that estimated benefits will be approximately 32% lower from an initial \$515 million (over the first 10 years) to \$352 million, indicating a weakness in project planning that overstated the revenue projections.

eGaming

eGaming products consist of online lottery games, sports betting, bingo and other casino games. Over the last five years, eGaming net win grew from \$14.7 million to \$58.9 million and accounts for 3% of BCLC's total net win. To date, BCLC has not been able to accurately forecast its eGaming revenue growth, with actual net win consistently lower than its forecasted targets.

BCLC is the only legally authorized provider of online gaming, in BC, which is delivered through its web-based platform PlayNow.com. Games offered are certified to technical standards established by GPEB, and validated by a qualified third party laboratory.

Many online gaming sites are unregulated and players on these sites are at risk of fraud, cheating or other illegal acts. In 2012, BC residents spent an estimated \$125 million on unregulated online gaming sites.

BCLC commenced a Business-to-Business arrangement for other jurisdictions where BCLC provides the gaming platform, PlayNow.com, and operational support for a fee. Initial estimates for the Business-to-Business service predicted a level of profitability that has yet to be attained.

Responsible
Gambling

Responsible gambling commences with the provision of tools and information necessary for gamblers to make informed choices. Problem gambling develops when gambling becomes uncontrolled and the gambler develops behavioral issues which can negatively impact their lives, family, friends and place of employment.

The lowest standard prevalence rates of problem gambling tend to occur in Europe, with intermediate rates in North America and Australia, and the highest rates in Asia. In Canada, somewhat higher than average prevalence rates have occurred in New Brunswick, Alberta and BC. Problem gambling prevalence studies were done in BC in 2007 and most recently in 2014, in a forthcoming report, which show a 28% decrease in problem gamblers, from 4.6% to 3.3% of the total population during that period.

BCLC is responsible for retail, internet and facilities-based responsible gambling programs, while GPEB is responsible for provision of problem gambling services (including counselling and treatment), responsible gambling initiatives and managing gambling research.

BCLC has a GameSense program providing responsible play information and the risks associated with gambling to players. BCLC also manages a Voluntary Self-Exclusion program where a person elects to exclude themselves, for a set period of time, from gambling activity (other than lotteries). Once made, this commitment cannot be revoked. The effectiveness of the Voluntary Self-Exclusion program has been challenged in court which found that the casinos' policies, surveillance and security systems were appropriate and reasonable.

Gaming
Protection

BCLC is responsible for ensuring service provider and retailer compliance with legislation. This involves training, conducting compliance reviews and investigating issues related to federal and provincial regulations with lottery retailers and gaming operators.

GPEB routinely audits BCLC gaming operations. In most cases, audits appropriately identified areas requiring improved controls, although some audit areas and findings were based on BCLC's policy and procedures, as opposed to a GPEB standard. Despite continued improvement in retailer compliance, there was no evidence of a plan to rationalize the number of inspections using a risk based approach.

BCLC is required by federal legislation to report any suspicious transactions, as well as transactions greater than \$10,000, on behalf of service providers, including patron information. BCLC has implemented a number of anti-money laundering initiatives, including the increased use of electronic banking methods and proactively banning known criminals. In order to streamline reporting and better facilitate expanded federal requirements, BCLC is also implementing a new anti-money laundering IT system.

Regulatory
Oversight

Gaming regulation and enforcement is important in ensuring the integrity of gaming. GPEB, reporting to the Minister of Finance, is the regulatory body overseeing the activities of BCLC in supporting the integrity of gaming, and investigating allegations of wrongdoing.

The work that BCLC and GPEB perform in managing and regulating the gaming industry in BC promotes fairness and game integrity. Better understanding and agreement of roles and responsibilities between BCLC and GPEB should increase the efficiency and effectiveness of both organizations.

The need for improved clarity of the roles has been identified by government, and BCLC has been directed to work with GPEB to jointly develop key principles that will inform their respective roles and responsibilities.

While GPEB has gaming standards, some of them are not sufficiently detailed and, in some areas, GPEB's work is not consistently risk based. Having robust policies, standards and procedures will allow GPEB to operate more efficiently and effectively.

BCLC conducts reviews of its service providers and lottery retailers to ensure service standards are met and, while not replacing the work of the regulator, GPEB could place reliance on the controls and audit work undertaken by BCLC to ensure the best use of limited resources.

Governance and
Performance

BCLC receives its direction from government through a Government's Letter of Expectations, and BCLC's Service Plan has been consistently aligned with government's priorities. While the board fulfills its responsibilities by providing strategic direction for BCLC, there are opportunities for the board and executive to improve their communication, decision-making and oversight of the organization.

BCLC reports its performance using measures in each of its four corporate goals: Player, People, Public and Profit. Divisions within BCLC prepare a business plan aligned with these corporate goals; however, they do not include any performance measures in their plans to demonstrate performance over time and contribution to the achievement of the corporate goals.

Information
Technology

BCLC is heavily reliant on IT to help sustain and grow its business and has invested more than \$197 million on IT-related capital projects over the past five years. The Business Technology Division effectively supports BCLC's lines of business and their IT requirements and has made a number of organizational changes to improve IT services and better align with BCLC business strategies. Opportunities still exist to enhance the maturity of some of the business processes; in particular, disaster recovery planning.

BCLC has an organization-wide privacy and information security function and has recently implemented a number of initiatives to enhance the security and privacy roles within BCLC. These can be further strengthened by enhancing incident tracking, data classification and data ownership, as well as by implementing the envisioned security and privacy requirements for service providers.

BCLC has reasonable security controls and procedures in place to ensure confidentiality and integrity of gaming systems and related data. Various automated tools are also used to monitor the IT environment for security issues.

Financial
Management

Over the last few years, BCLC operating expenses have increased faster than net win, primarily as a result of increased salary and benefit costs. In order to reduce operating costs and meet financial targets, BCLC plans to reduce operating costs by \$20 million in fiscal 2014/15. At the mid-way point of the 2014/15 fiscal year, BCLC reports that it is on track to achieve its cost saving targets.

Government directed BCLC to manage their cost of operations to not exceed a cost ratio of 42.5% of total net win. Using one overall ratio creates the risk that cost containment is not prioritized as net win grows. A combination of measures such as divisional cost ratios, limiting expense types by ratios or fixed amounts could provide more effective cost containment results.

BCLC uses a project portfolio management approach to manage current or proposed projects and ensure their alignment with organizational objectives. The project portfolio management framework is not standardized across the organization, leading to inconsistent project management practices within divisions. In

addition, BCLC compares the actual project cost against the final approved budget rather than the original baseline budget. This does not always provide an accurate financial assessment of the project as the final approved budget may encompass multiple changes.

BCLC prepares business cases for executive approval for major organizational or capital projects, including new IT systems. However, BCLC has not established clear criteria for determining when a project requires a business case. BCLC acknowledges deficiencies in its current business case process and is introducing new templates.

BCLC spends approximately \$230 million annually on goods and services using three types of procurement methods: competitive bid, direct award and corporate purchasing cards for low dollar value purchases. BCLC used competitive processes for 88% of its purchases, with direct awards and corporate purchase cards accounting for the remaining 12%.

BCLC's procurement policies and procedures generally align with government's procurement policy and provincial trade agreements. However, some of BCLC's procurement practices could be improved by enhancing documentation practices and more clearly demonstrating value for money in procurement.

BCLC spent approximately \$25 million on marketing, advertising and promotions in fiscal 2013/14. While individual campaigns in some areas are assessed for their impact, overall BCLC cannot clearly demonstrate the return on its marketing and advertising expenditures.

Staffing and Compensation

Over the last five years, the total number of Full Time Equivalents has increased by 25% to 919 with total compensation increasing by 43% to \$93.1 million in the same period. These increases are attributed by BCLC to initiatives such as implementing recommendations from the 2007 Ombudsman's report and merit increases in pay. BCLC's compensation was found to be generally comparable with other Crown corporations.

BCLC, in following the new Crown Corporation Executive Compensation Policy eliminated perquisites and allowances and the bonus program. For executives, the changes made complied with this new policy. However, for some of the non-executive employees, the changes were more generous and contrary to the intent of the policy.

BCLC completed a staff restructuring in March 2014 as part of a larger \$20 million cost saving initiative. As a result of the larger than expected number of employees taking advantage of the early retirement and severance packages being offered, as well as involuntary terminations, the cost of the initiative was approximately \$25 million. With better internal planning and coordination, BCLC could have minimized the costs and staffing impact of this restructuring exercise.

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We would like to thank the management and staff of BCLC, GPEB, as well as the other stakeholders who participated in and contributed to this review, for their cooperation and assistance.

A handwritten signature in black ink, appearing to read "CD Brown", with a horizontal line underneath.

Chris D. Brown, CA, CIA
Assistant Deputy Minister
Internal Audit & Advisory Services
Ministry of Finance

December 4, 2014

Introduction

British Columbia Lottery Corporation (BCLC) is a Crown corporation reporting to the Minister of Finance. It provides gaming entertainment for its patrons and revenue for the Province of British Columbia, through its lottery, gaming facilities and eGaming divisions.

British Columbia (BC) started selling lottery products in 1974 after joining the three other western provinces in a partnership called the Western Canada Lottery Foundation. In 1985, the government established its own lottery corporation. In 1997, the government gave BCLC the responsibility to conduct and manage slot machines and, the following year, BCLC assumed responsibility for all casino gaming. In 2004, BCLC introduced eGaming through an internet lottery site called PlayNow.com.

Governed by the *Gaming Control Act (GCA)*, BCLC operates under the legislative, regulatory and policy framework established by the Province of British Columbia. Within this framework, BCLC has been directed to conduct and manage gaming in a socially responsible manner for the benefit of all British Columbians. The Gaming Policy and Enforcement Branch (GPEB) is the regulatory body overseeing the activities of BCLC in supporting the integrity of gaming, and reports to the Minister of Finance.

Gaming Operations

BCLC gaming operations includes lottery, gaming facilities (casinos, community gaming centers (CGC) and bingo halls) and eGaming. It generates approximately \$2.1 billion in annual net win, with over 75% of the adult population participating in some form of gaming, including the purchase of a lottery ticket, in the past year. Net win, which is the total gaming revenue after prizes have been paid, has been relatively stable since 2008/09. More than half of this is used to support social programs, health care and education. BCLC oversees lottery retailers and gaming facility service providers while directly delivering eGaming. Each of these business lines is managed through separate divisions in BCLC.

Lottery products include lotto draw games, instant win games and social games, sold through approximately 3,800 lottery retail locations. Gaming facilities include 17 casinos (two with racetracks), seven commercial bingo halls and 18 CGCs (which offer slot machines and bingo) all run by service providers. eGaming products consist of online lottery games, sports betting, bingo and other casino games, such as slots and poker, delivered through PlayNow.com.

Protection of
Public and
Gaming Industry

In 2003, government established its Responsible Gambling Strategy to promote responsible gambling (RG) and effectively address problem gambling (PG). BCLC believes players and the public need to have information to make informed choices about gaming. They have developed a program for RG education, called GameSense, so players can learn about how games work, their odds of winning, when to stop and how to recognize PG.

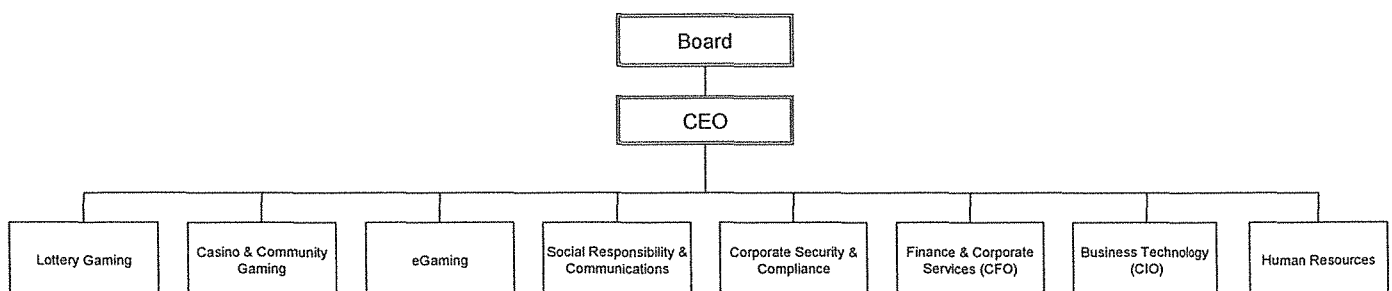
BCLC's Corporate Security & Compliance division protects the reputation, physical security and information of BCLC and ensures regulatory compliance through audits and training of lottery retailers and gaming operators. The division is also directed by government to take a leadership role in anti-money laundering (AML) initiatives.

Gaming regulation and enforcement is important in ensuring the integrity of gaming. GPEB has regulatory oversight of BCLC's operations, the province's horseracing industry and licensed gaming events. GPEB is responsible for regulating gaming in BC, ensuring the integrity of gaming industry companies, people and equipment, and investigating allegations of wrongdoing.

BCLC
Operations

BCLC's head office is in Kamloops, with a corporate office in Vancouver, and employs approximately 900 people. In addition to the three gaming divisions (lottery, gaming facilities and eGaming), BCLC also has corporate activities that include marketing and distribution, finance, human resources (HR), and information technology (IT). These activities are integral in supporting gaming operations, as well as meeting BCLC's responsibilities as an employer and Crown corporation.

The following chart shows BCLC's board and executive structure.



Purpose and Objectives

This review examined BCLC's governance framework, operations, planning and forecasting, and financial performance.

The review evaluated and, as appropriate, made recommendations relating to the following:

1. The effectiveness of BCLC's governance framework, including strategic direction and alignment with government priorities.
2. BCLC's operations, including agreements and relationships with its service providers and lottery retailers and with GPEB.
3. BCLC's financial performance, including:
 - a) operating costs, administrative costs, and employee compensation and incentive programs;
 - b) forecasts, to help plan, budget and manage costs;
 - c) cost mitigation strategies, including the identification of potential operating efficiencies;
 - d) revenue generation and profit margins;
 - e) capital asset management and utilization; in particular, IT; and
 - f) progress and expenditures on BCLC's Gaming Management System (GMS) project.
4. The growth of gaming related products for lotteries, gaming facilities and eGaming in a socially responsible manner.
5. Examination of other matters that arose over the course of the review deemed appropriate by the review team.

Approach

Internal Audit and Advisory Services (IAAS) conducted a broad review of BCLC, working with an Executive Steering Committee. The approach included:

- conducting interviews with key management and staff across BCLC and related stakeholders;
- reviewing and analyzing legislation and policies;
- researching comparable information from other relevant organizations and other jurisdictions;
- reviewing and analyzing financial reports and variance reports; and
- reviewing and analyzing key operations, processes and IT systems.

During the course of the review, the Chief Executive Officer (CEO) of BCLC resigned. As a result, the Minister of Finance requested that IAAS conduct a separate review to determine whether the CEO had been in a potential conflict of interest.

While IAAS found that the former CEO had been in a conflict of interest during the two months prior to the time he left BCLC, no evidence was found that he or his new employer benefited from the conflict.

A copy of the full report can be found on the government's website at: <http://www.newsroom.gov.bc.ca/2014/07/report-on-resignation-of-former-bc-lottery-corporation-ceo.html>

Overall Conclusion

Gaming operations have been effective in generating a steady revenue stream for the province; however, there are opportunities for improvement. BCLC needs a plan to address challenges in the lottery division with aging equipment and IT systems, and a declining customer base. BCLC should review the effectiveness of the service provider commission structure, as well as institute performance standards that would allow for better monitoring of the service providers.

The protection of the public and the gaming industry appears effective, promoting Responsible Gambling, fairness and game integrity. However, better understanding and agreement of roles and responsibilities between BCLC and GPEB would increase the efficiency and effectiveness of both organizations. While BCLC conducts reviews of its service providers and lottery retailers, this does not replace the work of the regulator. GPEB could improve by having more robust policies and standards, and taking a risk based approach.

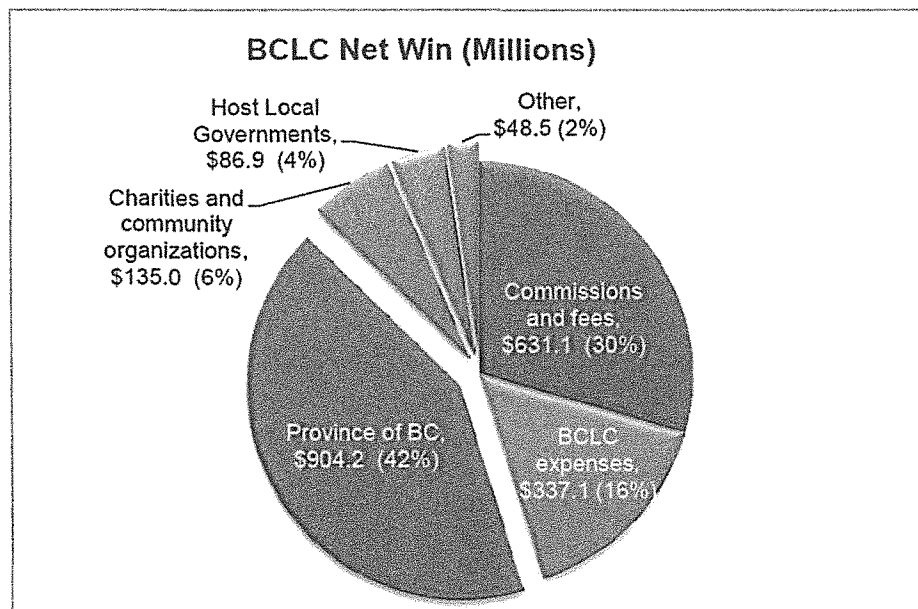
Overall BCLC's operations are aligned with government's priorities although there are opportunities for the board and executive to improve their communication, decision-making and oversight of the organization. BCLC could also improve the rigour in strategic and business planning to ensure that initiatives such as staff restructuring as well as capital and operating projects, receive the scrutiny required. In keeping with government's cost containment priority, BCLC should demonstrate greater value for money in procurement and develop a comprehensive framework of cost containment measures, such as divisional cost ratios, limiting expense types by ratios or fixed amounts, to provide more effective results.

1.0 Gaming Operations

1.1 Overview of Gaming Revenue

Of the \$2.1 billion BCLC generated in net win in fiscal 2013/14, 46% was paid to service providers for commissions and fees, and BCLC operations. Local governments that host casinos or CGCs received a percentage (4%) of net win generated by facilities in their community. These funds can be used for any purpose that benefits that community. The remaining 50% (\$1.1 billion) was primarily used to support social programs, healthcare and education.

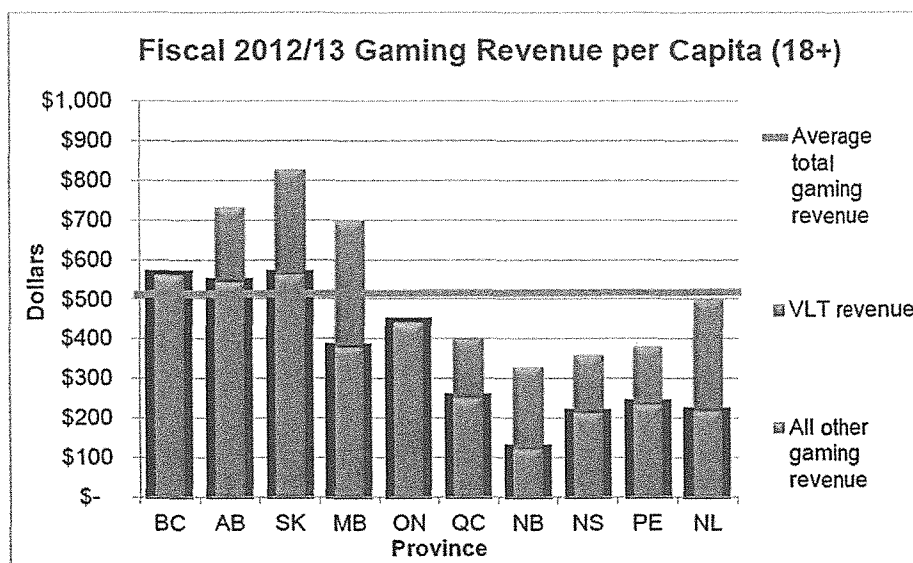
BCLC's fiscal 2013/2014 net win was distributed as follows:



Source: Data from BCLC Annual Service Plan Report 2013/14

Jurisdictional Comparison

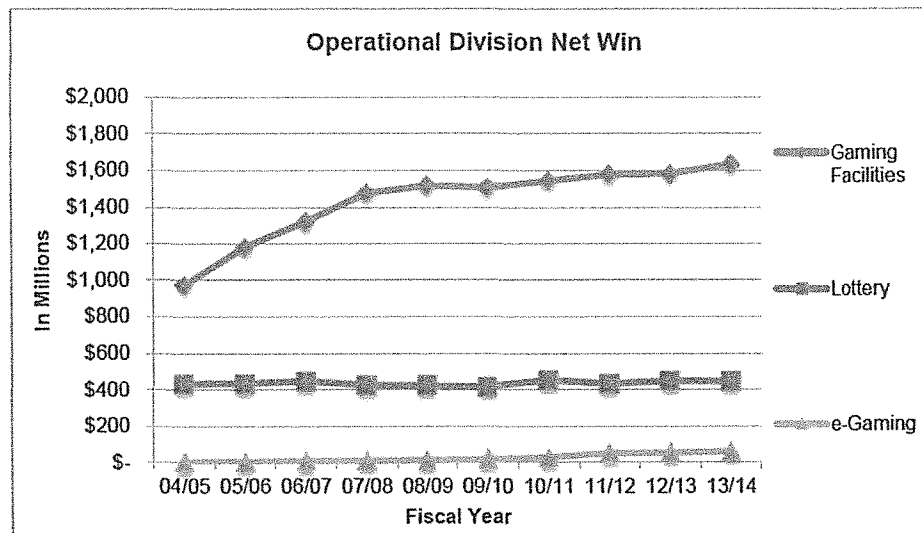
As shown in the following chart, BC was above the national per capita average revenue of \$524 in fiscal 2012/13. Alberta, Saskatchewan and Manitoba significantly exceeded the national average in part because they permit video lottery terminals (VLTs). A VLT refers to a slot-type machine used in licensed premises outside of traditional gaming facilities. BC and Ontario currently do not permit the use of VLTs.



Source: Data from Canadian Gambling Digest 2012/13

Net Win

One of BCLC's key measures of success is net win, which is total gaming revenue after prizes are paid. In fiscal 2013/14, 76% of BCLC's net win was generated in gaming facilities. The following graph shows that net win from gaming facilities grew significantly until fiscal 2008/09 as more facilities were opened. Since that time, net win has stabilized. Net win from lotteries has remained stable and, in fiscal 2013/14, accounted for 21% of BCLC's total net win. Net win from eGaming has grown; however, early projections have not been realized. In fiscal 2013/14, eGaming accounted for 3% of BCLC's total net win.



Source: Data from BCLC

1.2 Lotteries

BCLC has a wide variety of lottery products including:

- Lotto draw games: Lotto 6/49, BC/49, Extra, Lotto Max and Poker Lotto;
- Instant win games: Scratch and Win, pull tabs, Set for Life; and
- Social games: Keno, Sports Action, Pacific Hold'em and BC 50/50.

These lottery products generate over \$1 billion in sales each year. Some lotto games are national (Lotto 6/49, Lotto Max) and coordinated by the Interprovincial Lottery Corporation of which BCLC is a member.

Overall, BCLC has strong oversight tools to manage lottery operations and continues to educate and monitor lottery retailers for compliance with prize payout best practices. BCLC faces a number of challenges over the coming years to address its aging equipment and IT systems, as well as its concern about a declining customer base due to an aging demographic and a younger generation less interested in playing lottery games.

Provincial Comparisons

The lottery market across Canada is considered mature with revenues remaining relatively flat over the past five years. However, BC is faring better than other provinces, growing slightly while other provinces have declined.

The table below shows that BC has a lottery outlet for every 973 adults and generates the third highest lottery revenue per capita across Canada.

	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
People/lottery outlet	973	1,148	986	1,082	1,087	769	701	740	673	450
Lottery revenue/capita (18+):	\$ 135	\$ 130	\$ 114	\$ 109	\$ 139	\$ 129	\$ 119	\$ 119	\$ 124	\$ 215

Source: Data from Canadian Gambling Digest 2012/13

Locations

BCLC delivers its lottery products to customers through a network of approximately 3,800 locations across the province:

1. Retail outlets such as gas stations, convenience, grocery and drug stores (71%);
2. Hospitality such as bars and pubs (24%); and
3. Kiosks and stores leased and maintained by BCLC but operated by independent contractors (5%).

Retailers receive a standard commission of 5% and, depending on the volume of sales, may receive performance triggered incentive bonuses.

In 2012, BCLC opened its first Lotto signature store, and opened a second store in 2014. The concept of these stores is to enhance the player experience and attract the younger generation.

Signature stores require a significantly higher capital investment than typical under the kiosk network. There was no business case done to establish the need for these stores and, without formal evaluation criteria, it is difficult to determine if these stores are achieving their objectives. Analysis of the 2012 store results to date indicates minimal growth in sales over what it replaced.

With the addition of stores, BCLC's kiosk program now has a broader range of leasing, set-up and maintenance costs. BCLC has no formal guidelines on the extent of the targeted costs or revenue per outlet. This creates the risk that the increased cost of new outlets will outstrip the related benefit.

Recommendation

- (1) **BCLC should establish critical success factors for its lottery retailers in order to evaluate performance and report on results.**

New Retailers

Retailers must be registered with BCLC before they are authorized to sell lottery products. Once registered, all employees selling lottery are expected to take online training within 60 days of being hired.

After BCLC performs a background check of a potential lottery retailer, GPEB conducts a criminal record check before approving the registration. BCLC and GPEB use separate databases in managing registrations which creates inefficiencies.

Retailer
Oversight

Retailer registration lasts for three years after which retailers must renew it by undergoing another criminal record check. The registration and renewal process appears excessive when compared with the lack of significant issues being identified and the GCA requirement of a five year renewal period.

Both BCLC and GPEB conduct oversight of lottery retailers to help ensure that they meet their contractual and legal requirements. The primary emphasis of oversight is on prize payout procedures which are typically tested through secret shopper programs conducted by both BCLC and GPEB.

In 2007, the BC Ombudsman conducted a review of BCLC's prize payout procedures, and issued a report containing recommendations to strengthen its practices and improve the integrity with which lottery is conducted and managed in the province. In general, BCLC has addressed the concerns raised in the Ombudsman's report and continues to educate and monitor lottery retailers for compliance with prize payout best practices.

Over the six years since the Ombudsman report, retailers have shown continued improvement in following the prescribed prize payout procedures. Over the last two years, compliance reported by BCLC was nearly 90%.

Every retailer selling lottery products has a check-a-ticket terminal so that lottery customers can self-check their tickets to learn the results. When the retailer validates a customer's ticket, the lottery monitor displays whether that ticket is a winner, what amount was won, and plays a jingle.

For prize claims over \$1,000, BCLC creates a winner's record. For wins over \$3,000, BCLC takes steps to establish that the person claiming the win is the legitimate owner of the ticket before paying out the prize.

Lottery retail employees are not permitted to purchase lottery products at their place of work. Retailers are required to keep BCLC informed of all employees selling lottery products; not only to track whether employees have taken the required training, but also to enable BCLC to monitor retailer wins.

Other oversight includes testing whether retailers are selling lottery products to minors. GPEB uses minors to attempt to purchase lottery products from retailers. In a recent test, 40% of the retailers sold lottery products to a minor. In these instances, GPEB issued a warning or a violation ticket of \$288.

Complaint Handling

BCLC has both a retailer and a consumer complaint hotline where they document customer concerns. The retailer hotline helps retailers resolve equipment issues, report product theft and major wins. Similarly, the consumer complaint hotline addresses concerns raised by players. Calls are logged, and if necessary, assigned to the appropriate department for follow-up and resolution.

IT Environment

BCLC uses several systems to support lottery operations. The Lottery Central System is the key application used to sell and redeem lottery products. Other lottery systems are also used to provide customer relationship management, payment processing and financial services.

Overall, key security controls and procedures are in place to ensure confidentiality and integrity of the lottery systems and related data. Various automated tools are also used to monitor the Lottery IT environment for security issues.

Lottery systems have periodically been reviewed by BCLC Internal Audit, as well as by independent parties such as GPEB and external auditors. Opportunities to enhance the system controls have been identified over time and have been addressed by BCLC.

The Lottery Central System and other lottery supporting applications represent the majority of BCLC legacy systems. Although the lottery operations are primarily supported by aging systems, the related technology is stable with minimal unscheduled system downtime in the past three years.

Looking Ahead

Given the age of the core lottery systems, BCLC faces issues associated with a lack of flexibility to accommodate new business requirements and in some cases, progressively higher upgrade costs. BCLC owns all lottery terminals and these are expected to reach the end of their useful life within the next three to five years.

BCLC recognizes the issues associated with aging technology and initiated a Lottery Optimization project to provide a long-term business strategy for lottery operations, including a plan for the replacement of legacy systems. The Lottery Optimization project is currently on hold due to other corporate priorities.

These issues, combined with concerns over a declining player base, indicate that significant challenges exist in going forward.

1.3 Gaming Facilities

BCLC is currently responsible for 42 gaming facilities comprised of 17 casinos offering table games and slot machines, 18 CGCs and seven commercial bingo halls. Across BC, gaming facilities host more than 870 table games and 12,500 slot machines.

BCLC owns all gaming products and equipment used in gaming facilities including slot machines, table games, shufflers, cards, chips, etc. All gaming supplies and equipment used in gaming are pre-approved by GPEB and maintained by BCLC in accordance with the GCA and regulations.

Types of Player

Encore Rewards is BCLC's player loyalty program, collecting data primarily through slot machine use for projection and analysis of the player base. In fiscal 2013/14, an estimated 12.3% of BCLC's gaming facility patrons were active Encore members.

BCLC categorizes its estimated 2.1 million gaming patrons into four segments - casual, light, moderate and core, depending on the average number of visits per year. BCLC estimates that more than \$60 million in net win is generated by 45 high net-worth players.

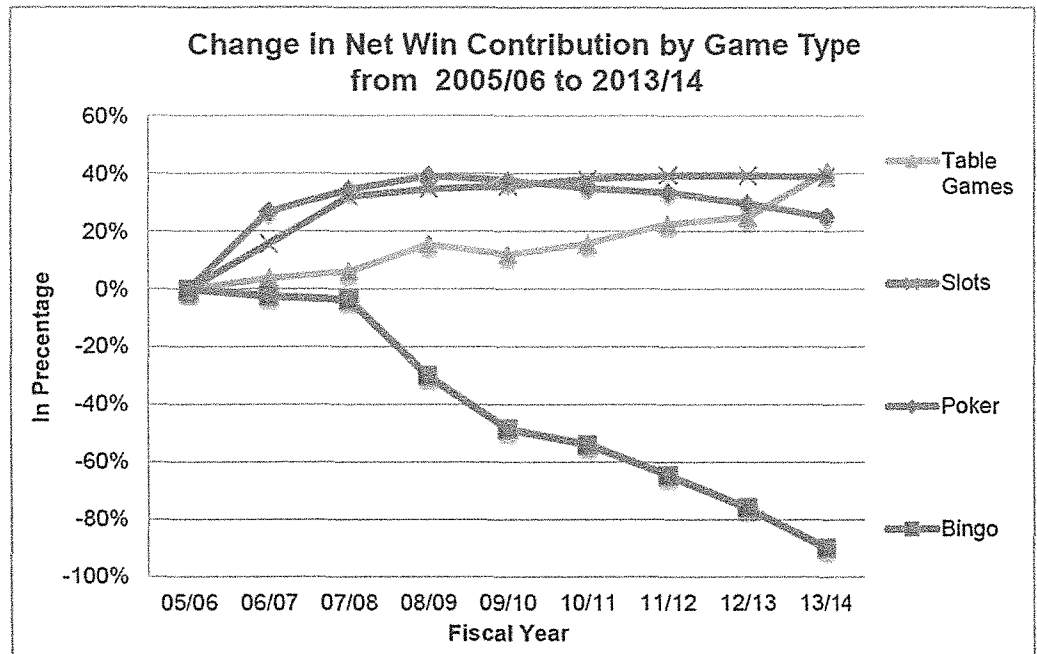
BCLC is focussing on growing casual and light player segments in order to increase the number of player visits through marketing campaigns and promoting gaming facilities as entertainment destinations. The following table shows segmented player data acquired through the approximately 260,000 Encore members, extrapolated by BCLC to the entire gaming population for fiscal 2013/14.

Player Segment:	Casual	Light	Moderate	Core
Average visits per year	2	12	52	104
% of Players	75.8%	18.2%	3.8%	2.2%
% of Gaming Facility Revenue	2.0%	6.0%	16.4%	75.6%

Source: Data from BCLC.

Gaming Mix

BC gaming facilities offer a variety of games including slot machines, table games, bingo and poker. The following graph demonstrates the change in contribution of each game type to the division's net win since fiscal 2005/06. The overall net win trend demonstrates a small growth in slots and table games over time, and a steady decrease in bingo due to a declining player base.



Source: Win By Game Type from BCLC's 5 year Pro-forma statements

Service Provider Oversight

BCLC's relationship with service providers is similar to that of a franchisee, in that franchisees are granted the right to provide services with controls regarding service standards. Service providers own or lease the gaming facility and are required to provide staff as well as ensure the physical security of the building and equipment.

BCLC facilitates regular planning sessions with individual service providers in order to align business strategies and share business and marketing plans.

BCLC enters into Operational Service Agreements (OSA) with service providers to establish operational services at their gaming facility.

OSAs are typically for 10 years with an option to extend the agreement in 10 year increments, with BCLC approval. If a service provider does not fulfil their agreement, BCLC can appoint itself or a third party to operate the facility until a solution is found. There have not been any instances where a renewal was denied or a replacement operator was appointed.

BCLC monitors the performance of gaming facilities through financial and compliance measures, as well as on-site relationship management, but does not have performance standards, such as requiring revenue targets or RG goals, in their OSAs.

BCLC recognises that the existing OSAs do not facilitate effective operational management of gaming facilities and, in 2014, BCLC established a cross-functional working group to improve them. BCLC is also in the early stages of developing risk management agreements to monitor the financial viability of service providers. As OSAs are renewed, risk management agreements are expected to be implemented to help address BCLC's risk in the event that service providers encounter financial difficulty.

Recommendation

(2) BCLC should ensure that agreements with service providers include comprehensive performance standards.

Operating Commissions

In 1997, government introduced the service provider payment and operating framework, currently administered by BCLC. Service provider operating commissions are based on the types of games offered and include:

- 25% of slot machine and electronic games net win;
- 40% of the casino games net win, less 1% to reimburse BCLC for gaming equipment and gaming supplies; and
- 60% of bingo revenue (after prizes are paid) on the first \$20,000; 40% of the next \$60,000; and 25% on revenue over \$80,000 per week.

Facility Development Commissions

In addition to operating commissions, service providers can also earn commissions of 3 to 5% of net win for capital projects and ongoing site development. This is intended to encourage capital investment that results in higher quality facilities which attract a broader player base. Eligible expenditures include land, building and improvements. Non-gaming related expenses such as planning submission costs, staff facilities and equipment are excluded.

OSAs outline the commission entitlement, and are generally consistent across similar-type facilities. Two agreements reviewed have alternate development commission structures, but still result in a similar net distribution as the other service providers.

Project-based commissions are payable to the service provider upon substantial completion of the project up to the lesser of the amount earned, or the cost of the project. BCLC has not consistently followed its policy in the administration of these commissions. For example:

- BCLC released commissions to service providers on receipt of individual expenses rather than on substantial completion of the whole project; and
- one gaming facility received commissions in advance of earning them.

In a separate instance, a gaming facility was permitted to accrue commissions on a project at an earlier stage than usual. The service provider will receive these commissions when construction begins, rather than upon substantial completion. BCLC advises that this was necessary to assist in the financing of high construction costs unique to the project.

While the intent of these commissions is to increase clientele and encourage an improved return, BCLC has not conducted a comprehensive analysis to determine how effective they have been.

Industry reports suggest that gaming industry profits exceed other hospitality industries in Canada. BC is the only province delivering gaming exclusively through contracted service providers, making the comparison to other provinces a challenge. It has been nearly 20 years since the commission structure in BC was created and BCLC, at this time, is unable to clearly demonstrate the effectiveness of the commission structure.

Recommendation

- (3) BCLC and the Ministry of Finance should conduct a review of service provider commissions for gaming facilities to ensure an appropriate and effective structure.**

Gaming
Equipment and
Inventory

BCLC owns more than 12,500 slot machines which have proven to be very profitable, with a full return on investment to BCLC after an average of four months of use and an expected lifespan of eight years.

BCLC slot machine inventory is comprised of 79 different platforms from eight unique vendors. A platform is the internal mechanism of a slot machine with a unique combination of hardware, software and operating system.

Having a large quantity of platforms has resulted in increased inventory, training and maintenance costs. BCLC has not explored potential cost containment opportunities available through the reduction of vendors and platforms.

BCLC's inventory management system is unable to track current parts levels at gaming facilities. In fiscal 2013/14, BCLC wrote off obsolete slot machine parts inventory at BCLC and gaming facilities of approximately \$3.9 million.

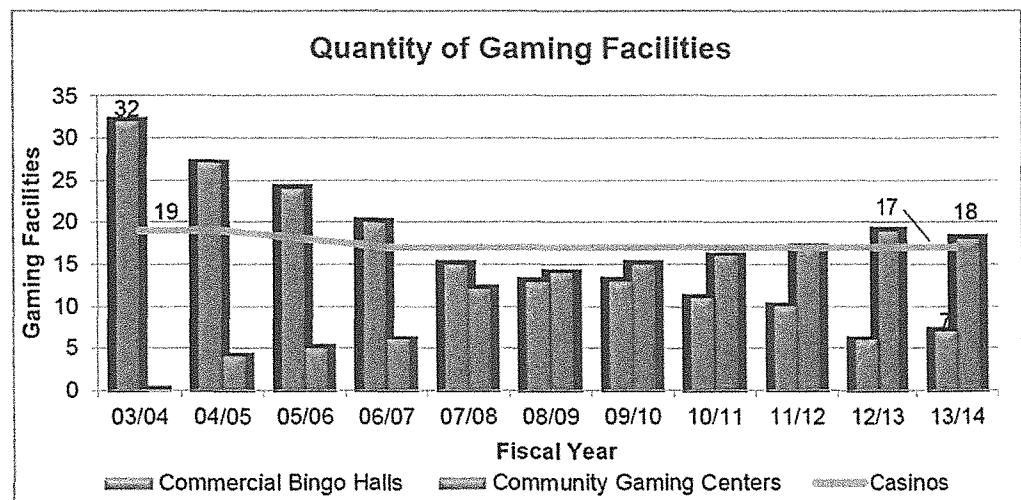
Recommendations

- (4) **BCLC should explore potential cost containment opportunities available through the reduction of vendors and platforms.**
- (5) **BCLC should evaluate options to improve inventory management systems.**

Locations

Historically, the Province of BC contracted with service providers to operate charitable gaming facilities. In 1998, BCLC assumed responsibility for these contracts.

Since 2003, the number of gaming facilities has decreased by nine, primarily through the conversion and consolidation of bingo halls to CGCs. The following graph illustrates the number of facilities by type over the past 11 years.



Source: Data provided by BCLC

BCLC has considered the changes in gaming facilities to be conversions or relocations and has given existing service providers the first right of refusal. Given that all but one of the changes have been within the same player area, and due to the relationship between service providers and their players, this generally appears reasonable.

Currently, BCLC does not have a clear set of criteria to differentiate between a conversion, a relocation and a new gaming facility. When establishing a new facility, BCLC should ensure that a competitive process is used in keeping with the spirit and intent of government procurement policy.

Recommendation

- (6) BCLC should develop a clear set of criteria for gaming facility procurement.**

Host Local Government

Before establishing a facility in an area, BCLC uses a comprehensive process to ensure compliance with the legislation including Host Local Government (HLG) consultations and service provider business planning. HLG casino and gaming approval processes vary across the province, with some local governments having strict caps on the quantity of games.

Through an agreement between a HLG and the Province of BC, HLGs are provided with a 10% commission of the net gaming revenue of the gaming facilities in their jurisdictions. Net gaming revenue is the net win of the hosted facility less BCLC's proportionate costs and service provider commissions.

Distributions to HLGs across BC over the past five years were approximately \$418 million. In 2014, 31 of BC's local governments received gaming commissions totalling \$86.9 million, ranging from \$223,000 to \$17.3 million.

IT Environment

BCLC has multiple systems that manage casino operations, some of which are legacy systems with limited vendor support. This situation prompted BCLC to conduct an external benchmarking initiative in 2008 to determine whether these casino systems would continue to meet industry standards and support BCLC's future business needs. The assessment concluded that the legacy systems were at their end of life due to their increasing maintenance costs, inability to expand their product portfolio and a lack of vendor support.

In late 2009, BCLC conducted a joint competitive process with Ontario Lottery and Gaming Corporation to select a new gaming management system (GMS) for both organizations. The system selected is expected to provide increased functionality and a better gaming experience for BCLC customers.

BCLC is currently in the last fiscal year of the GMS implementation project which will replace the legacy casino systems in 35 gaming facilities in the province. As most of the major sites have already been converted, approximately 84% of the electronic gaming machines are now operating in the GMS environment.

Overall, reasonable security controls and procedures are in place to ensure data confidentiality and integrity of the casino systems, including the transition to the new GMS system.

Casino applications, including GMS have been periodically reviewed by BCLC's Internal Audit and Information Privacy and Security (IPS) departments, as well as by independent third parties such as GPEB, and external auditors. The GMS and related systems are stable with minimal unscheduled system downtime since its implementation.

GMS Project Management

The GMS project is a multi-year initiative that began in May 2012 and is scheduled to be completed by March 2015.

The transition to GMS involves replacing the software and infrastructure that operates slot machines and monitors table games at 35 gaming facilities across the province.

Overall, the GMS implementation has followed reasonable steps to support an effective implementation and meet time and budget commitments. The project is generally progressing in scope, on schedule and under budget. However, current revenue projections suggest that initially estimated benefits will be approximately 32% lower from an initial \$515 million (over the first 10 years) to \$352 million.

GMS Benefits

The GMS business case identified increased revenue from new marketing and business intelligence capabilities that intended to increase annual revenues in casino operations by \$64 million when fully implemented and utilized. In September 2012, BCLC revised its business case to reflect more current assumptions. Among these assumptions was incorporating the impact of the delayed roll-out of the campaign and marketing components on the implementation.

In December 2013, BCLC reassessed these key revenue assumptions and concluded that they were overstated. The impact of delayed implementation of project milestones, along with the changes to key assumptions, has reduced the projected benefits by \$163 million from the initial business case projection. This reduction is due to a decrease in revenue assumptions of \$106 million, indicating a weakness in project planning, with the remaining \$57 million a result of a delay in implementing campaign and marketing components.

BCLC established a formal risk management process in order to identify, monitor and mitigate GMS project risks. These risks were regularly reassessed for their likelihood and impact and newly emerging risks were added to the risk register, when identified.

The risk register formed part of the monthly project meetings and BCLC Internal Audit maintained oversight of risk management decisions through attendance at these meetings. GPEB added oversight by visiting converted gaming facilities to solicit feedback and otherwise keep informed about potential implementation concerns.

Timelines, Scope
and Budget

The GMS project is divided into two phases of implementation. Phase 1 delivers system infrastructure upgrades with the core operational capabilities. Phase 2 includes campaign and marketing management software, as well as enhanced RG features which will allow players to manage their own accounts and set personal limits for spending and time on device.

While the initial rollout of the project started later than planned, BCLC reconfigured the overall project implementation schedule to finish on time. To date, there have been no significant scope reductions that would impact the strategic objectives of the project.

The total implementation cost of the GMS project is budgeted at \$124 million (plus a \$16 million contingency fund). The project is estimated to finish at \$119 million. Savings are as a result of efficiencies achieved in infrastructure costs through better server utilization, as well as efficiencies gained from reduced professional and contractor fees.

After some of the initial site conversions, BCLC implementation teams assessed the lessons learned in an effort to improve subsequent implementations. A final post-implementation review of the project is planned at the completion of the project, but it is unclear whether a detailed benefits realization will form part of this review.

Recommendation

- (7) **BCLC should conduct a comprehensive post-implementation review of the GMS project that includes benefits realization.**

1.4 eGaming

BCLC is the only legally authorized provider of online gaming in BC, which is delivered through its web-based platform PlayNow.com. In delivering eGaming, BCLC partners with developers and network-hosting contractors. The software suppliers are compensated through fixed or variable fees, or a combination of the two.

Many online gaming sites are unregulated and players on these sites are at risk of fraud, cheating or other illegal acts. In 2012, BC residents spent an estimated \$125 million on unregulated online gaming sites.

Games offered on PlayNow.com are certified to technical standards established by GPEB and validated by a qualified third party laboratory. Regulating the market helps ensure that games are played fairly, paid out as promised, and that gaming is not used for money laundering and other illegal purposes. It also restricts underage gamblers, ensures people with gambling problems have access to tools that limit their deposits, bets, overall play, or exclude themselves entirely.

To access PlayNow.com, players must be BC residents 19 years of age, or older. Players must be registered with PlayNow.com, and be physically located in BC at the time of play. This is in contrast to other regulated gaming activities (lottery, gaming facilities) where players do not have to be a BC resident.

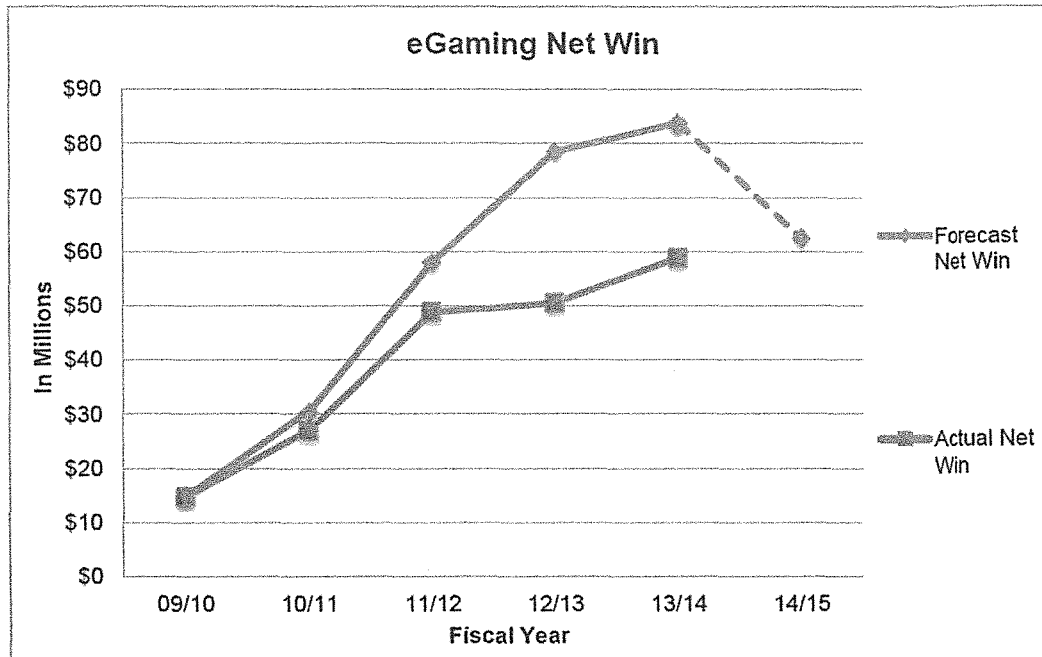
In July 2010, the system was temporarily shut down when BCLC determined that 134 player accounts were not properly protected. The problem was resolved and the Privacy Commissioner concluded that BCLC had taken reasonable steps in response to the breach.

Today, PlayNow.com has a selection of nearly 100 games including free games (played without wagering) for Casino and Poker, as well as offering Keno, Lottery, Sports and Bingo products.

Performance

Over the last five years, eGaming net win grew from \$14.7 million to \$58.9 million. After the first full year of operation, fiscal 2005/06, PlayNow.com had nearly 30,000 registered users, and by the end of 2013/14 had over 293,000 accounts. eGaming's growth is attributed to continued expansion of its casino and poker portfolios, and enhancements to sports betting and mobile gaming.

To date, BCLC has not been able to accurately forecast its eGaming revenue growth with actual net win consistently lower than its forecasted targets, as shown in the graph below:



Source: Proforma by BCLC business units

In fiscal 2013/14, the eGaming division adopted a zero-based budget methodology which, along with their experience over the last few years, is intended to produce more accurate revenue forecasts. In fiscal 2013/14, the majority of eGaming revenues came from casino games (48%), and Lotto (20%).

BCLC commenced a Business-to-Business (B2B) arrangement for other jurisdictions where BCLC provides the gaming platform, PlayNow.com, and operational support for a fee. Initial estimates for the B2B service predicted a level of profitability that has yet to be attained.

IT Environment

In delivering the current suite of games available, BCLC collaborates with several third party entities to support specific aspects of eGaming services. Some of the services include virtual slot games, ePoker system services and eSports games for odds setting, settlement and monitoring.

Overall, reasonable security controls and procedures are in place to ensure data integrity and confidentiality of the eGaming systems and related data. As a result of this review, BCLC is implementing additional controls for eGaming systems, which are expected to be completed by March 2015.

eGaming applications have been subject to periodic reviews conducted by BCLC Internal Audit and IPS, as well as by independent parties such as GPEB and external auditors. Opportunities to enhance the system controls were identified over time and have generally been addressed by BCLC.

As required by the GCA, any new gaming systems (or existing ones subject to changes) must receive a Certificate of Technical Integrity from GPEB before being permitted to operate in the live environment. eGaming technology has been reasonably stable with minimal unscheduled downtime during the past three years.

Looking Ahead

BCLC has identified a number of opportunities within eGaming that includes expanding betting options and increasing the accessibility of products.

Novelty betting (a bet which includes a selection for a novelty and/or non-sport/non-racing event such as a song contest, election results, etc.) has recently received approval and once implemented, will be added to the list of betting options.

Currently, federal legislation requires sports betting to be on a minimum of two sporting events. BCLC estimates that this requirement amounts to approximately \$20 million a year in lost revenue. There is currently a federal bill seeking to change this law and allow single event sport betting.

BCLC plans to pilot sports betting through PlayNow.com at select gaming facilities at the end of 2014, in an effort to attract a broader player base and drive revenue growth. This initiative will be assessed by BCLC for potential broader implementation.

To improve the accessibility of gaming products, BCLC also plans to develop a new mobile lottery application that will offer more attractive features than currently available.

2.0 Protection of Public and Gaming Industry

2.1 Responsible Gambling

The RG team at BCLC is responsible for education, compliance and program development. Gaming divisions are expected to consider RG implications in the development of their products.

RG commences with the provision of tools and information necessary for gamblers to make informed choices. Combining RG education, information about the games, and the risks associated with gambling allows adults to make educated decisions about their play.

PG develops when gambling becomes uncontrolled and the gambler develops behavioral issues which can negatively impact their lives, family, friends and place of employment. There are free, confidential, province-wide counselling and treatment services available through GPEB for problem gamblers and their families who seek help.

In October 2013, the Provincial Health Officer's (PHO) annual report "Lower the Stakes – A Public Health Approach to Gambling in British Columbia" was released. The report examined gambling trends in BC from a public health perspective and included 17 recommendations directed at the Ministries of Finance, Health, and Education to address PG from a public health perspective.

A cross-ministry working group, with representation from BCLC, is developing the government's Plan for Public Health and Gambling. Development of the plan is considering the PHO recommendations, findings from a forthcoming 2014 BC Problem Gambling Prevalence Study, other relevant research, and government policies related to the delivery of services in the education, health, and gaming sectors.

Roles and Responsibilities

The Government's Letter of Expectations (GLE) directs BCLC to "Operate the gaming business within the social policy framework established by Government...". This framework is not described in legislation, nor formally documented. It consists of a combination of legislation (e.g., *GCA*, *Canada's Criminal Code*), and Minister's or GPEB directives and strategies (e.g., BC's Responsible Gambling Strategy), that pertain to RG and PG.

GPEB, with input from BCLC, developed BC's Responsible Gambling Strategy which outlines key responsibilities:

- BCLC is responsible for the conduct and management of gaming in BC, which includes retail, internet and facilities-based RG programs.
- GPEB is responsible for provision of PG services (including counselling and treatment), RG initiatives and managing gambling research.

The strategy includes a three-year plan which details goals and initiatives, and assigns responsibilities. However, the plan expired at the end of fiscal 2013/14 and is currently being updated.

Corporate
Culture

A RG culture is important to BCLC and, as such, it has a number of initiatives to promote RG, for example:

- developing and implementing RG programming;
- funding research on the social and behavioural aspects of gambling;
- managing operations for staffed and self-serve GameSense Information Centres; and
- managing a voluntary self-exclusion (VSE) program.

Corporate Social Responsibility Assessments are expected to be done on all new products prior to market release. In 2014, two products went to market without having these assessments completed, creating the risk that RG standards were not complied with. In these instances, BCLC determined retroactively that these products met the requirements.

GameSense

GameSense is a BCLC program combining responsible play information with information about the risks associated with gambling.

GameSense is available at all gaming facilities and lottery retailers, and online. The key objective is to provide people with the tools that they need to make informed choices on how to play responsibly. GameSense makes information available to players, including the odds of different games, the difference between games of chance and skill, commonly held myths about gambling, and tips for playing responsibly.

GameSense Advisors (GSA) staff the centres in casinos to provide personalized education on responsible play strategies. In fiscal 2013/14, GSAs recorded 54,656 interactions with players about RG. This represents an increase of 24% over the previous year, and BCLC advises that this was due to an increased awareness of the program.

Voluntary Self-
Exclusion

In 1998, BCLC implemented its VSE program, where a person voluntarily elects to exclude themselves from gambling activity (other than lotteries). They may self-exclude for a period of six months to three years and, once made, this commitment cannot be revoked. Over the last three years, there has been an average of between 8,000 and 8,500 individuals enrolled in the VSE program at any one time.

To assist individuals that have signed up for the VSE program, BCLC and its service providers in gaming facilities use tools to identify the self-excluded individuals such as license plate scanning, facial recognition software and randomly checking identification as players enter facilities or while playing, should they manage to enter a venue and begin playing.

The VSE program does not provide a guarantee that a self-excluded individual will be identified and removed from a gaming facility. During 2013, staff at gaming facilities detected 5,876 violations with the majority of violations occurring in the five lower mainland casinos.

The effectiveness of the VSE program has been challenged in court and it was found that the casinos' policies, surveillance and security systems were appropriate and reasonable.

In 2010, the provincial legislature made changes to the GCA that allowed BCLC to withhold jackpots from VSE program participants. This has subsequently been upheld by the courts. Withheld jackpots are used to fund research into PG behaviours.

The VSE program has demonstrated some inconsistency in its implementation between gaming facilities and eGaming. When a player completes the VSE registration at a gaming facility, they are prohibited from entering all facilities and their PlayNow.com account is suspended for the self-exclusion period.

However, if the VSE registration is initiated through PlayNow.com, the individual is still permitted to enter a gaming facility, gamble and collect their winnings.

Recommendation

- (8) BCLC should ensure a consistent approach to administering the VSE program across gaming facilities and eGaming.

Prevalence of Problem Gambling

Between 1975 and 2012, there were over 200 studies done around the world that involved jurisdiction-wide adult prevalence surveys of PG. These results were standardized in 2012 in a report for the Ontario Gambling Research Centre, enabling comparisons between jurisdictions, as well as within the same jurisdiction over time.

According to this report, the lowest standardized prevalence rates of PG tend to occur in Europe, with intermediate rates in North America and Australia, and the highest rates in Asia.

In Canada, Quebec and Prince Edward Island have consistently low rates, while somewhat higher than average rates have occurred in Alberta, New Brunswick and BC.

In BC, PG prevalence studies were done in 2007 and most recently in 2014 in a forthcoming report. As described in the following table, the results of these two studies show that the prevalence of problem gamblers, as a percentage of the total population, has decreased by 28% from 2007 to 2014.

Year	Moderate Problem Gambling Prevalence	Severe Problem Gambling Prevalence	Total Prevalence of Problem Gamblers
2007	3.7%	0.9%	4.6%
2014	2.6%	0.7%	3.3%

Source: 2007 and 2014 BC Problem Gambling Prevalence Studies

Social Responsibility Metrics

BCLC determines the effectiveness of its RG efforts by tracking indicators in three areas: Player, People, Public. BCLC released its first separate Social Responsibility Report in 2013/14. Current performance measures include the following:

- employees who understand what social responsibility means to BCLC;
- number of stakeholder engagement sessions; and
- achieving re-certification at Level 4 of the World Lottery Association (WLA) Responsible Gambling framework. (This is the highest level of WLA certification).

These performance measures are somewhat limited and on their own are not sufficient to assess and demonstrate the effectiveness of the social responsibility program. More performance measures that are outcome based (e.g., prevalence rate) would be better indicators of program effectiveness.

Recommendation

- (9) BCLC should develop outcome based performance measures for responsible gambling.**

2.2 Gaming Protection

BCLC is responsible for ensuring service provider and retailer compliance with the *GCA*, the federal *Proceeds of Crime* (Money Laundering) and *Terrorist Financing Act*, and the related reporting requirements. This involves training, monitoring and investigating issues related to federal and provincial regulations with lottery retailers and gaming operators.

BCLC Compliance Investigations

BCLC conducts compliance reviews and investigations of its service providers and lottery retailers. This work includes:

- confirming compliance with BCLC policies and procedures, reviewing controls, and investigating customer complaints and criminal events in all gaming operations;
- supporting, training and ensuring BCLC and service provider compliance with provincial and federal legislated reporting;
- supporting the casino security information system that manages incident reporting; and
- overseeing the VSE program in gaming facilities.

Provincial legislation requires that BCLC and service providers report to GPEB any incident or activity that may be criminal, and/or contrary to the *GCA*. In fiscal 2013/14, BCLC and service providers reported approximately 17,000 incidents of which most were classified in three categories:

1. banned patrons;
2. potential criminal event; or
3. assistance to GPEB, police or other agencies.

GPEB Audits and Investigations

GPEB routinely audits BCLC gaming operations as part of its role in ensuring the integrity of gaming in BC. Gaming facilities, eGaming and lottery retailers receive regular compliance reviews to ensure that gaming in the province is conducted in accordance with gaming legislation, directives, policies, and procedures.

In most cases, GPEB's casino and eGaming audits appropriately identified areas requiring improved controls, although some audit areas and findings were based on BCLC's policies and procedures, as opposed to a GPEB standard.

Lottery retailer inspections included interviews regarding theft and fraud, and concerns about sales to minors. Despite continued improvement in retailer compliance, there was no evidence of a plan to rationalize the number of inspections based on a lower risk factor.

GPEB Investigators have Special Provincial Constable status which permits them greater access to law enforcement resources. GPEB reviews incident files received from various sources, including service providers, retailers, BCLC, police and the public.

Approximately 40% of incidents are related to violations of the VSE program. Of the non-VSE incidents, 36% of files were retained for evidence in related police or intelligence files, more than 30% could not be resolved due to insufficient information, and 1.1% of the cases investigated by GPEB resulted in a charge under the *Criminal Code* or *GCA*.

Anti-Money
Laundering

Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) is a federal independent agency established to operate within the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. FINTRAC is responsible to aid in the detection of money laundering and terrorist activity in the Canadian financial system, including BC gaming facilities.

FINTRAC requires BCLC to report any suspicious transactions as well as individual or cumulative financial transactions greater than \$10,000 on behalf of service providers, including information regarding patron identity and their source of wealth, or the origin of their funds.

In fiscal 2013/14, BCLC reported approximately 86,000 large cash transactions and 1,000 unusual or suspicious financial transactions to FINTRAC. This is a significant increase over reports filed prior to a 2009 FINTRAC compliance review, although this represents a small percentage of the total number of reports filed in BC. BCLC advised this increase is primarily a result of improvements made in processes, systems and training as well as increased play.

In February 2014, FINTRAC expanded "Know Your Client" monitoring requirements. Transactions thought to be suspicious, such as proceeds of crime, terrorist financing, or money laundering require additional collection of data, increased monitoring, client risk analysis and further examination of clients' business relationships.

In order to streamline reporting and better facilitate the new requirements, BCLC is implementing a new AML IT system in 2015. Expected results include increased capacity and improved accuracy, reporting and identification of high-risk persons, and patterns of activity using data analytics.

Government's 2014/15 Letter of Expectations requires that BCLC deliver enhanced AML programs, including continued implementation of measures to move the industry away from cash.

BCLC's current AML initiatives include options such as:

- expanded data sources for background checks;
- proactively banning known criminals or associates;
- internet banking transfers through Patron Gaming Fund Accounts offered at five lower mainland casinos;
- debit machines at the cash cage;
- convenience cheques (up to \$10,000) for the return of buy-in funds; and
- Public Automated Teller Machine (ATM), and global cash and credit card advances.

BCLC reported that there were \$1.2 billion in non-cash transactions in fiscal 2012/13 and \$1.5 billion in fiscal 2013/14. Of the total amounts brought into and/or played in BC gaming facilities each year, non-cash play represents approximately 20%.

Year	Amount Played*	Total Non-Cash	Total Cash
2012/13	\$6.37 billion	\$1.2 billion	\$5.17 billion
2013/14	\$6.66 billion	\$1.5 billion	\$5.16 billion

*Amount played is amounts collected at tables and deposited into slot machines and does not necessarily represent wagers.

Source: Data provided by BCLC

Efforts which have been implemented by GPEB and BCLC to improve AML monitoring have included:

- ongoing work and information sharing with jurisdictional law enforcement agencies; and
- a cross-agency AML task force to identify and address criminal activity in gaming facilities.

2.3 Regulatory Oversight

GPEB regulates gaming in BC, including the operations of BCLC, which conducts and manages gaming in the province.

While there is room for improvement in the clarity of roles and responsibilities between the two, the work that BCLC and GPEB perform in managing and regulating the gaming industry in BC promotes fairness and game integrity. Better understanding and agreement of roles and responsibilities between BCLC and GPEB should increase the efficiency and effectiveness of both organizations.

Legislation

Legislation applicable to gaming in BC includes: the *GCA*; *Gaming Control Regulation*; and Canada's *Criminal Code*.

The *GCA* requires:

1. GPEB to be responsible for the overall integrity of gaming and horse racing.
2. BCLC to be responsible for the conduct and management of gaming and may develop, undertake, organize, conduct, manage and operate provincial gaming on behalf of the government.

In general, the working relationship between BCLC and GPEB is strong, but has experienced its challenges; particularly in the execution of roles and responsibilities under the *GCA*.

Roles and Responsibilities

The need for improved clarity of the roles has been identified by government, and BCLC has been directed to work with GPEB to jointly develop key principles that will inform their respective roles and responsibilities.

BCLC provides gaming through the use of contracted services, with the exception of online gaming which is provided directly. The gaming facility contractors are similar to franchisees with established areas in which to provide gaming, while BCLC oversees their service delivery.

BCLC ensures its service providers and lottery retailers are meeting the customer service standards currently defined, as well as ensuring that any standards set by the regulator are met. Audits conducted by BCLC on its service providers represent sound business practice and good contract and performance management, but does not replace the work of the regulator.

Prior to forwarding incidents on to GPEB, BCLC typically performs investigations in a number of areas including potential criminal incidents, suspicious financial transactions and customer service issues. BCLC's stated intent is to ensure the reported incident is criminal in nature and appropriate to report to GPEB. BCLC's "preliminary" investigations can lead to delays in providing GPEB with appropriate information.

As the regulator, GPEB's responsibility is to ensure the integrity of gaming through clear and comprehensive standards, with appropriate audit and investigation work to ensure compliance.

While GPEB has gaming standards, some of them are not sufficiently detailed and, at times, GPEB uses BCLC's policies and procedures as standards to which they audit. Having robust policies, standards and procedures will allow GPEB to operate more efficiently and effectively through the following:

- establishing the appropriate level of acceptable risk to ensure the integrity of gaming; and
- providing consistency in decision making and activities undertaken by GPEB including the appropriate level of review of BCLC and their contracted service providers.

Ultimately, policy, standards and procedures provide a framework to promote the integrity of gaming and avoid the potential for misunderstanding between the regulator and BCLC.

Comprehensive audit and investigation practices ensure that appropriate objectives and acceptable levels of risk are determined in advance. They also ensure that there is coordination of work and standards between all parties.

In its role as regulator, GPEB performs audits of BCLC and its service providers, confirming gaming activities meet the standards expected. In some areas, GPEB's work is not consistently risk based. Where appropriate, GPEB could place reliance on the controls and audit work undertaken by BCLC, to ensure the best use of limited resources.

Under the GCA, GPEB is the only authority designated to conduct investigations related to gaming and, as such, should have an agreement with BCLC over what types of incidents should be clarified before reporting them to GPEB.

Recommendations

- (10) GPEB should develop comprehensive policies and standards to support the integrity of gaming.**
- (11) GPEB should implement a risk based approach to direct its activities in assessing compliance with gaming policies and standards.**

3.0 Internal Operations

3.1 Governance and Performance

BCLC receives its direction from government through a GLE and BCLC's Service Plan has been consistently aligned with government's priorities.

BCLC's board has provision for nine members, but currently consists of seven. BCLC is working with the Board Resourcing and Development Office in recruiting the two additional directors. Turnover of board members at BCLC is reasonable, allowing for new perspectives while retaining some experienced directors to ensure continuity.

A BCLC board self-evaluation completed in 2012 noted that the board was performing well, but identified a lack of IT experience. The current recruitment process intends to address this gap.

The board fulfills its responsibilities by providing strategic direction for BCLC, and ensures that risks are reviewed and discussed quarterly. However, there are opportunities to improve their decision-making and monitoring of BCLC.

BCLC conducts strategic planning that is informed by a market scan on opportunities and threats, as well as board direction. This results in a 3-year Annual Service Plan tabled in the Legislature.

Board Operations

BCLC's board meets six to eight times a year to oversee the corporate decisions of BCLC's management. Prior to each meeting, members receive a detailed package of materials for discussion at the meeting.

The packages sent to board members are extensive, including management reports, financial dashboards, divisional and project updates and other presentation materials. However, the material often lacked executive summaries of the key issues. Such summaries would help focus attention on key issues for discussion or decision by the board.

BCLC's board minutes are well documented and appropriately record the topics discussed and decisions made. Decisions made in-camera (closed board meetings) are documented in the regular minutes of the board, but there are no minutes or materials available from the in-camera portion of the meeting. To strengthen the continuity of information, minutes of in-camera sessions should be maintained.

The board believes it has a good working relationship with management and that management informs the board about major issues through reports, presentations, advice and recommendations. However, there have been instances where the board has not had sufficient, appropriate or timely information on which to base decisions or monitor the operations of BCLC such as the staff restructuring in fiscal 2013/14 and the introduction of Signature stores. As a result, the board has not always had the opportunity to challenge management on its actions or proposed actions.

Recommendation

- (12) BCLC's board and executive should ensure that sufficient, appropriate and timely information is communicated and that strategies are appropriately challenged.**
- (13) Government should reinforce the roles and responsibilities for board members and executive within Crown corporations.**

Performance Measurement

BCLC reports its performance using measures in each of its four corporate goals: Player, People, Public and Profit. There are 11 high-level measures, including player satisfaction, net win per capita and employee engagement.

Each business unit prepares a business plan aligned with these corporate goals; however, they do not include any performance measures or targets in their plans to demonstrate how each unit contributes to the achievement of these corporate goals.

While there is an executive dashboard and some of the business units have key performance indicators, these are limited and not sufficient to assess performance at the divisional level. Each business unit should have clear performance measures with targets that define areas of emphasis, measure the results achieved and align with BCLC corporate goals.

Recommendation

- (14) BCLC should establish performance measures linked to corporate goals for each business unit.**

3.2 Information Technology

BCLC places a strong reliance on IT to help sustain and grow its business. Beginning in fiscal 2009/10, BCLC started to make more significant technology investments, concentrating on new initiatives to increase revenues, such as online gaming and the new Casino gaming management system. In the past five years, BCLC has invested over \$197 million (44% of BCLC's total capital spending) on IT-related capital projects.

The IT function in BCLC is largely represented by the Business Technology (BT) Division. BT is responsible for the technology and systems that support BCLC's operations, including enterprise architecture and the IT landscape related to gambling and back office systems. In fiscal 2014/15, BT had budgeted operating costs of \$36 million (21% of BCLC's total budgeted operating costs) and budgeted staff of 183 Full Time Equivalents (FTEs).

While the BT Division effectively supports BCLC's lines of business and their IT requirements, opportunities exist for BT to enhance the maturity of some of its business processes.

IT Governance

BT's various departments report to a Chief Information Officer (CIO) who has a direct reporting relationship to BCLC's CEO. The CIO has the appropriate authority, accountability and reporting relationship to lead the IT function.

Despite the sound leadership structure currently established within BT Division, no formal IT steering committee is in place with representation from key functional areas across BCLC to provide a senior oversight role over IT operations. The roles of an IT steering committee would include the assessment of BT performance, monitoring of IT Strategic Plan initiatives, as well as integration of IT projects across the organization.

BT's annual IT strategic planning process defines how BT will contribute to, and support, BCLC's strategic objectives. The IT Strategic Plan is appropriately driven by BCLC's strategic business priorities and considers an analysis of IT trends. However, attention is required to address aspects of the strategic planning process and related initiatives, as follows:

- a) BT strategies are not being consistently monitored and reported. These activities were supposed to be performed using a Balanced Scored Card, which has not been implemented.
- b) BT's envisioned three-year resource plan to address the training and development needs for BT has yet to be created.
- c) Plans for the decommissioning and replacement of key legacy systems need to be developed.

Recommendations

- (15) BCLC should establish an IT Steering Committee with representation from key functional areas across the organization.
- (16) BCLC should develop plans for the decommissioning and replacement of key legacy systems that are expected to be retired.

Business Continuity Management

Since 2012, BCLC has undergone a number of initiatives to strengthen its Business Continuity Management (BCM) program, including the establishment of BCM policies, development of a 5-year roadmap to improve BCLC's response to business disruption, and implementation of emergency safety plans for the Vancouver and Kamloops office. While these initiatives have enhanced BCLC's state of preparedness, the BCM program is not yet fully mature as key aspects still need to be addressed, including the following:

- a) Business Continuity Plans (BCP) are an important element of the BCM program. Such plans are designed to minimize the impact of potential disruptions on key business areas. At the time of this review, BCPs were not in place for the business units. BCLC was conducting business impact assessments for some key areas which will support the development of the related BCPs.
- b) Disaster Recovery Plans (DRP) are also part of the BCM program. They are designed to ensure that IT processes and controls are in place to recover the IT systems of an organization in the event of a disruption. While BCLC has tested the recovery of some systems after a planned disruption in service, BCLC does not have formal DRPs for all of its critical systems. Without such plans, BCLC may still be able to recover its systems from a significant incident through ad-hoc recovery procedures and IT redundancy, but this is unlikely to occur within the desired recovery time.

Recommendation

- (17) BCLC should ensure that BCP and DRP plans are developed, implemented and periodically tested.

Information
Security and
Privacy

BCLC has established an organization-wide information security function, which is under the responsibility of the IPS department. In early 2013, BCLC strengthened this function by integrating it with Information Privacy, Freedom of Information and Records Management.

IPS collaborates with other BCLC program areas and external parties as needed, to conduct information security reviews and privacy assessments on BCLC's information assets, coordinate response to security incidents, and monitor compliance with information security policies and legislation.

Under the new structure, IPS has implemented a number of initiatives to enhance the security and privacy roles within BCLC. Opportunities still exist for IPS to further strengthen related aspects, including incident and user account management, data classification and data ownership. As described below, a few initiatives are already in progress to address some of the internal control gaps identified.

IPS has an appropriate reporting relationship with its senior management. However, an information and privacy steering committee, with representation from key functional areas, is not in place. BCLC could benefit from establishing such a committee, which would provide governance oversight of the IPS functions and allow for formal participation from business units to collaborate on related topics.

As part of its initiative to strengthen security and privacy, IPS has drafted new service provider requirements that are currently under review and planned to be incorporated into the new OSAs.

IPS coordinates the response, investigation and reporting of information security incidents. While a formal process is in place to identify and handle security incidents within BCLC, there is a need to enhance its related policy, as well as incident tracking and reporting capabilities to ensure that information security events are properly reported, recorded and classified.

The review of access to BCLC core systems is coordinated by IPS on a regular basis. It requires the business owners responsible for the systems to ensure that the permissions assigned to the user accounts remain appropriate. IPS is strengthening its user account management practices, with outstanding initiatives expected to be completed in 2015.

BCLC's information security policy provides a summary description of the data classification levels (public, internal and confidential). However, BCLC corporate data is not currently classified. This situation undermines BCLC efforts to apply an appropriate level of information security controls, which should be based on the classification (e.g., criticality and sensitivity) of its corporate data. Part of IPS's strategic priorities includes the development and implementation of an organization-wide data classification framework, including the requirements for data protection according to data criticality and sensitivity.

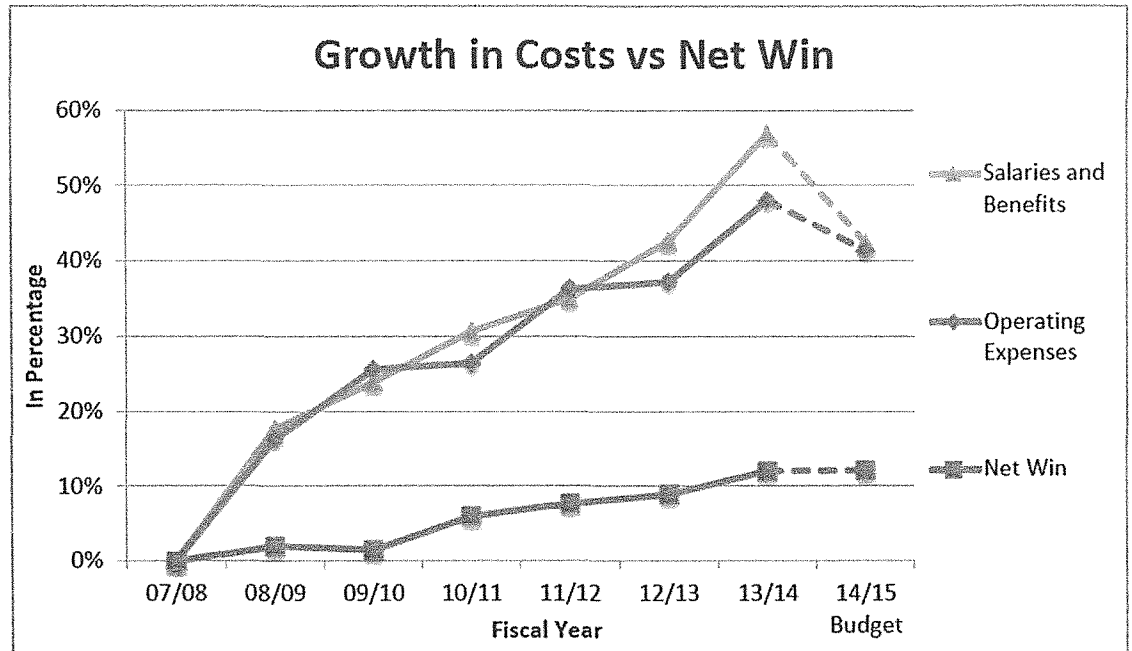
Data ownership is not fully inventoried and assigned across the organization. BCLC acknowledges the importance of creating an organization-wide data ownership inventory in order to clearly define the responsibility, ownership and accountability related to its corporate data. At this time, BCLC is focusing on key systems with implementation scheduled for March 2015.

Recommendations

- (18) BCLC should enhance its tracking and reporting of information security incidents, and communicate incident management policies to BCLC staff.**
- (19) BCLC should ensure that security and privacy requirements for the protection of player information are implemented and followed by service providers.**
- (20) BCLC should ensure that corporate data is classified and that data ownership is fully inventoried.**

3.3 Financial Management

Over the last few years, BCLC operating expenses have increased faster than net win, primarily as a result of increased salary and benefit costs. These costs are attributed by BCLC to initiatives such as implementing recommendations from the 2007 Ombudsman's report. The graph below compares growth of operating costs, which includes salaries and benefits, against net win since fiscal 2007/08.



Source: BCLC Data.

In order to reduce operating costs and meet financial targets, BCLC plans to reduce operating costs by \$20 million in fiscal 2014/15. It is planned that this will be achieved, in part, by reducing salary and benefit costs by \$6.6 million and advertising costs by \$6.2 million. (These planned reductions are included in the projected figures contained in the graph above). At the mid-way point of the 2014/15 fiscal year, BCLC reports that it is on track to achieve its cost saving targets.

Over the past five years, BCLC's short-term net income forecasts and actual results were consistently lower than the long-term forecasts made for the same period in earlier years. Such significant reductions to forecasts can impact government's ability to deliver a balanced budget. BCLC has acknowledged that long-term forecasting requires more rigour and is taking steps to implement improvements.

Comprehensive Cost Ratio

Government directed BCLC to manage their cost of operations to not exceed a cost to net win ratio of 42.5% in fiscal 2013/14. This comprehensive cost ratio is calculated by dividing total costs (before taxes) by total net win. This means that during periods of net win growth, BCLC is able to incur \$42.50 of additional costs for every \$100 of additional net win earned, regardless of whether these additional costs are attributed to the increase.

Using one overall cost containment ratio creates the risk that cost containment is not prioritized as net win grows. A combination of measures such as divisional cost ratios, limiting expense types by ratios or fixed amounts could provide more effective cost containment results.

Recommendation

(21) BCLC and the Ministry of Finance should develop a comprehensive cost containment framework.

Project Portfolio Management

Project portfolio management is a set of processes and business practices used to collectively manage current or proposed projects and ensure their alignment with organizational objectives. BCLC has enhanced the project portfolio management process in the IT division by implementing new procedures, basic project analytics and reports. Although progress has been made, the review identified the following areas for improvement:

- a) BCLC's project portfolio management framework is not standardized across the organization, leading to inconsistent project management practices within divisions.
- b) Performance indicators are not universally used to report out on the status of projects (e.g., percentage of projects on budget and on time, percentage of projects that meet/exceed project benefits).
- c) In order to determine whether a project is on budget, BCLC compares the actual project cost against the "final approved budget". This approach does not always provide an accurate assessment since the "final approved budget" may encompass multiple changes to the original baseline budget that was approved for the project.

Recommendations

(22) BCLC should standardize its project portfolio management framework including key performance indicators.

(23) BCLC should monitor project budget variance by comparing actual project cost to the baseline budget.

Business Cases

Business cases assist organizations in assessing the merits and critical assumptions of projects or initiatives, and allow for a robust assessment of the expected costs and benefits.

BCLC prepares business cases for executive approval for major organizational or capital projects, including new IT systems. However, BCLC has not established clear criteria for determining when a project (operational or capital) requires a business case. Some projects which did not have business cases prepared would have benefited from additional analysis, oversight and accountability.

In addition, BCLC's business case template does not clearly demonstrate how benefits will be measured and monitored. Where information was included, the analysis was not always sufficiently rigorous, and for the GMS project, resulted in benefits being significantly overstated. This makes assessing whether the project achieved its goals difficult, if not impossible.

BCLC acknowledges these areas for improvement in its current business case template and is introducing new templates in fiscal 2014/15.

Recommendation

(24) BCLC should ensure that the business case process is sufficiently rigorous to allow for fully informed decision making and accountability.

Procurement

BCLC spent approximately \$233 million on goods and services in fiscal 2013/14 and used three types of procurement methods: competitive bid, direct award and corporate purchasing cards for low dollar value purchases. BCLC used competitive processes for 88% of its purchases, with direct awards and corporate purchase cards accounting for the remaining 12%.

BCLC's procurement policies and procedures generally align with government's procurement policy and provincial trade agreements. However, some of BCLC's procurement practices could be improved by enhancing documentation practices and more clearly demonstrating value for money in procurement.

In fiscal 2013/14, BCLC direct awarded over \$27 million, of which \$12 million did not require a justification. Of the remaining \$15 million, 13 contracts were sampled; seven of which (\$1.2 million total value) did not have appropriately documented justification. There were also two contracts where the vendor delivered service prior to there being a signed contract between BCLC and the vendor.

BCLC's competitive bid process generally assesses business and technical solutions before considering pricing. This approach may result in getting higher quality goods or services without demonstrating value for money. This may be appropriate for specialized purchases, but may be less suitable in cases where goods and services are widely available.

A sample of contracts found that required documentation was not always retained by BCLC. For example, bid files for a significant procurement project had been inadvertently destroyed. In addition, a large number of contract files sampled did not have key documentation such as conflict of interest forms, reference checks, and post-contract evaluations. This is contrary to BCLC's policies and procedures.

BCLC issues corporate purchasing cards to some employees for low value purchases. Approximately 30% of purchasing card transactions sampled were either without sufficient documentation or were not in compliance with policy. To address this issue, BCLC updated its purchasing card policy which now requires the completion of a purchasing expenditure form stating the business expense rationale and identifying the attendees for business expenses, such as meetings.

Recommendation

(25) BCLC should ensure its procurement practices support the achievement of value for money.

Advertising and Marketing

BCLC spent approximately \$25 million on marketing, advertising and promotions in fiscal 2013/14; 50% was spent on lottery, 21% for gaming facilities and 19% for eGaming. The remaining 10% was utilized for other advertising and marketing in areas such as social responsibility. All BCLC advertising must comply with GPEB advertising and marketing and RG standards to help ensure gaming activities are carried out in a socially responsible manner.

For lottery, sales are strongly linked to the size of jackpots and therefore BCLC increases its marketing efforts to attract the "jackpot chasers"; customers who typically purchase more tickets when the jackpot is larger. Gaming facility marketing initiatives include game promotions, Encore reward offers, and location-directed advertising. The eGaming marketing focuses on media and digital advertising plus a variety of contests and promotions run throughout the year with the intention to acquire new players while retaining existing ones.

While individual campaigns in some areas are assessed for their impact, overall BCLC cannot clearly demonstrate the return on its overall marketing and advertising expenditures.

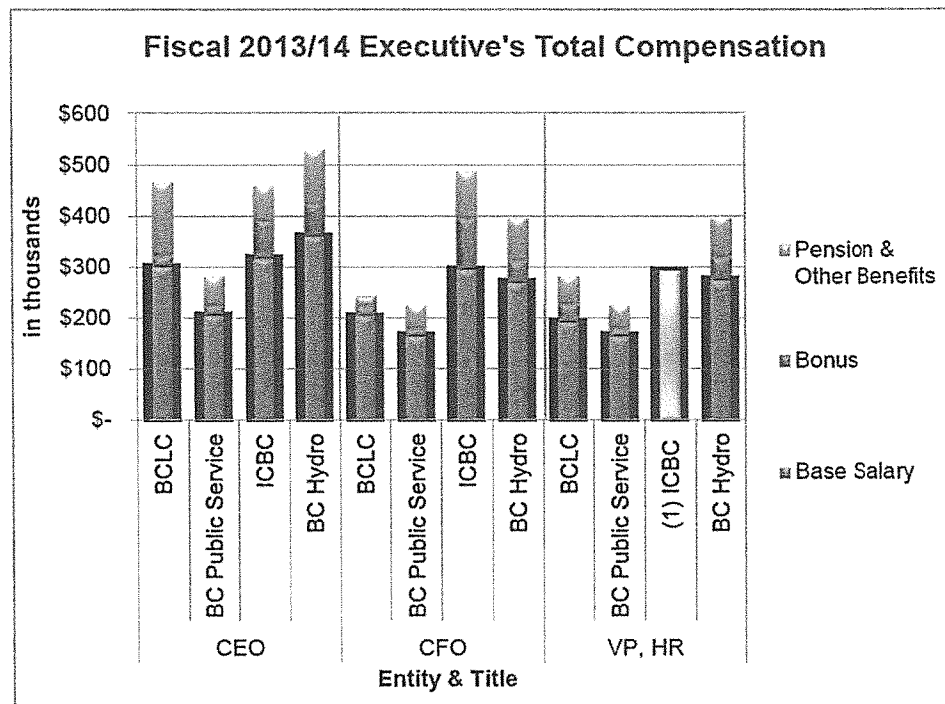
Recommendation

⁽²⁶⁾ BCLC should be able to demonstrate the effectiveness of its overall marketing expenditures.

3.4 Staffing & Compensation

Over the last five years ending in fiscal 2013/14, the total number of FTEs at BCLC has increased by 25% to 919 with total compensation increasing by 43% to \$93.1 million in the same period. These increases are attributed by BCLC to initiatives such as implementing recommendations from the 2007 Ombudsman's report and merit increases in pay. While BCLC tracks FTE data by division, it was not able to provide a breakdown between management and non-management staff over the five year period due to limitations in its HR systems.

BCLC's compensation was found to be generally comparable with other Crown corporations. The graph below compares CEO, Chief Financial Officer and Vice President (VP) positions.



Source: Public Sector Executive Compensation Reporting Forms¹

¹ As BCLC's CEO departed in January 2014, the base salary of \$300,000 with total compensation capped at \$465,000 was used.

² (1) Breakdown of VP, HR of ICBC (Total Compensation for 2013 was \$292,025) is not available. Total Compensation was obtained from ICBC's Statements and Schedules of Financial Information, December 31, 2013.

Crown
Corporation
Executive
Compensation
Policy

In July 2012, the Public Sector Employer's Council (PSEC) issued the Crown Corporation Executive Compensation Policy (Compensation Policy) which included the following directives:

- a) salary freeze for executives;
- b) elimination of bonuses and implementation of salary holdbacks for executives; and
- c) elimination of perquisites and allowances.

BCLC, along with other Crown corporations, are required to comply with PSEC directives. As a result of this new compensation policy, BCLC eliminated perquisites and allowances and the employee bonus program. Approval was granted for both management and executive to transition to a salary holdback program effective April 1, 2013 and April 1, 2014 respectively. Professional and administrative employees changed to straight salary effective April 1, 2014.

For executive, the changes made complied with PSEC's policy. However, for some of the non-executive employees the changes were more generous, and contrary to the intent of the policy. Rather than adding each employee's four year average bonus to the employee's base salary, BCLC used a standard percentage or their actual, whichever was higher.

Constructive
Dismissal

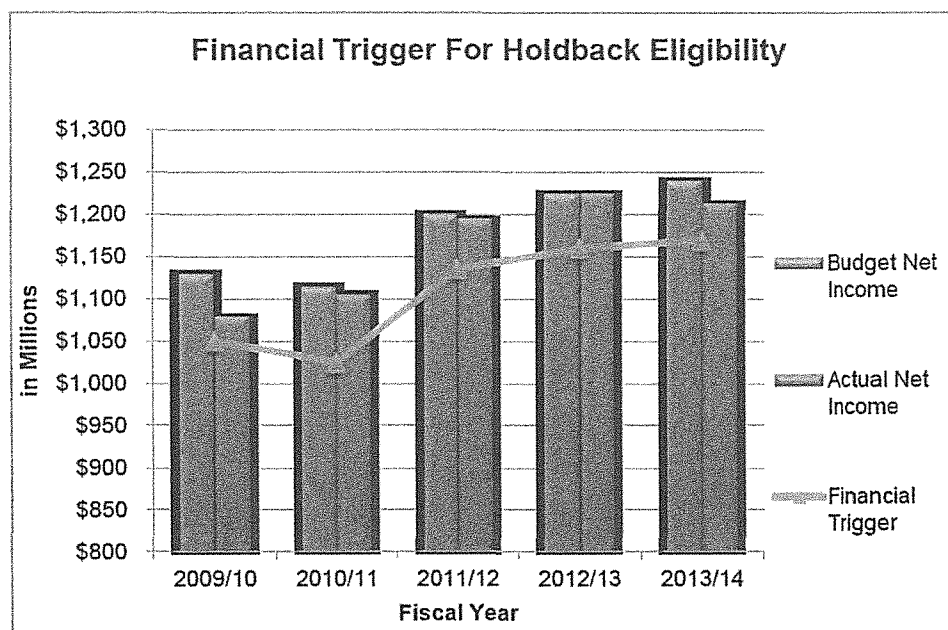
As a result of BCLC's changes to the compensation policy, four senior employees claimed constructive dismissal because of the salary freeze, reduction of potential bonus and elimination of \$12,000 in annual perquisites.

BCLC settled these claims by offering the employees 18 months of severance by way of salary continuance. This cost BCLC approximately \$1.2 million. The four employees were given working notice of up to nine months in addition to 18 months of severance. Working notice would normally be a reduction to the amount of severance paid. The intent of PSEC's policy changes was that working notice would be used to transition to the new policy and that no severance would be paid.

In September 2014, PSEC issued additional guidance for Executive and Excluded compensation, to provide clarity on working notice and severance payments.

Bonuses

BCLC used a corporate financial threshold to trigger the overall eligibility for employee bonuses. In the last five years, the trigger has ranged between 92% and 95% of budgeted net income, as illustrated in the graph below. As a result BCLC employees were eligible to receive bonuses even when BCLC did not meet its budgeted net income.



Source: Data provided by BCLC

¹ In fiscal 2012, the financial trigger changed from net income to net income before taxes.

Once eligible, employees could receive bonuses based on corporate and individual performance. Corporate performance consists of net income before tax and net win. Individual performance requires at least two individual job-related goals. In the past five years performance targets may not have been sufficiently challenging as more than 95% of staff received a bonus each year.

Effective in fiscal 2014/15, with the new compensation policy, bonuses are no longer paid and only management and executive staff are eligible for holdbacks. Additional non-financial performance measures combined with a more challenging financial trigger would help to ensure that the holdback program is sufficiently rigorous.

Recommendation

(27) BCLC should develop more challenging and comprehensive holdback measures.

Other Incentives

Other incentives available to employees include signing and retention bonuses, employee referral bonuses and recognition awards:

- BCLC pays signing and retention bonuses to attract new employees or retain key staff. In fiscal 2013/14, BCLC paid out \$17,000 as signing and retention bonuses.
- BCLC pays a referral bonus of \$500 or \$1,000 to employees for referring a successful candidate on a BCLC job posting. These rewards apply to any BCLC position and are not targeted at critical roles. In fiscal 2013/14, \$14,500 was paid in referral bonuses.
- In addition to meeting and team building expenses, BCLC spent approximately \$217,000 in fiscal 2013/14, on an employee recognition program that consists of giving cash, gift cards and merchandise to employees.

2013/14 Restructuring

BCLC completed a restructuring exercise in March 2014 as part of a strategy to reduce fiscal 2014/15 operating costs by \$20 million. The plan anticipated the elimination of 68 positions, saving approximately \$6.6 million. As part of the restructuring exercise, BCLC offered early retirement and severance packages to employees, aged 50 and older, to reduce the impact of involuntary terminations.

The restructuring resulted in 142 employees leaving BCLC and cost approximately \$25 million, consisting of \$11.6 million in severance payments and \$13.5 million in pension and other costs. During this restructuring, all senior manager-level employees and above received 18 months' severance regardless of their length of service with BCLC. Pension costs were significantly higher than initially forecast and then increased further because of higher than expected voluntary exits.

These restructuring costs were recognized in fiscal 2013/14 and caused BCLC to exceed the Treasury Board directive to manage operating costs within 42.5% of net win. With better internal planning and coordination, BCLC could have minimized the costs and staffing impact of this restructuring exercise.

Recommendation

⁽²⁸⁾ BCLC should improve planning and oversight over staffing and compensation initiatives.

Appendix 1 – Summary of Recommendations

1	BCLC should establish critical success factors for its lottery retailers in order to evaluate performance and report on results.
2	BCLC should ensure that agreements with service providers include comprehensive performance standards.
3	BCLC and the Ministry of Finance should conduct a review of service provider commissions for gaming facilities to ensure an appropriate and effective structure.
4	BCLC should explore potential cost containment opportunities available through the reduction of vendors and platforms.
5	BCLC should evaluate options to improve inventory management systems.
6	BCLC should develop a clear set of criteria for gaming facility procurement.
7	BCLC should conduct a comprehensive post-implementation review of the GMS project that includes benefits realization.
8	BCLC should ensure a consistent approach to administering the VSE program across gaming facilities and eGaming.
9	BCLC should develop outcome based performance measures for responsible gambling.
10	GPEB should develop comprehensive policies and standards to support the integrity of gaming.
11	GPEB should implement a risk based approach to direct its activities in assessing compliance with gaming policies and standards.
12	BCLC's board and executive should ensure that sufficient, appropriate and timely information is communicated and that strategies are appropriately challenged.
13	Government should reinforce the roles and responsibilities for board members and executive within Crown corporations.
14	BCLC should establish performance measures linked to corporate goals for each business unit.
15	BCLC should establish an IT Steering Committee with representation from key functional areas across the organization.
16	BCLC should develop plans for the decommissioning and replacement of key legacy systems that are expected to be retired.
17	BCLC should ensure that BCP and DRP plans are developed, implemented and periodically tested.

18	BCLC should enhance its tracking and reporting of information security incidents, and communicate incident management policies to BCLC staff.
19	BCLC should ensure that security and privacy requirements for the protection of player information are implemented and followed by service providers.
20	BCLC should ensure that corporate data is classified and that data ownership is fully inventoried.
21	BCLC and the Ministry of Finance should develop a comprehensive cost containment framework.
22	BCLC should standardize its project portfolio management framework including key performance indicators.
23	BCLC should monitor project budget variance by comparing actual project cost to the baseline budget.
24	BCLC should ensure that the business case process is sufficiently rigorous to allow for fully informed decision making and accountability.
25	BCLC should ensure its procurement practices support the achievement of value for money.
26	BCLC should be able to demonstrate the effectiveness of its overall marketing expenditures.
27	BCLC should develop more challenging and comprehensive holdback measures.
28	BCLC should improve planning and oversight over staffing and compensation initiatives.

This is Exhibit "L" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1

Gaming Policy and Enforcement Branch Review Summary



Ministry of Finance

Corporate Services Division

Prepared by: Strategic Human
Resources Branch

November 2014

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EXECUTIVE SUMMARY

The Gaming Policy and Enforcement Branch (GPEB) Review is a comprehensive business and organizational review aimed at aligning and integrating programs and staff to ensure gambling continues to be conducted responsibly and with integrity for the benefit of British Columbians. Through a methodical collection and analysis of information, the project has been divided into 3 phases: research into the current state of GPEB, Executive Team strategic planning to define the future state of GPEB, and analysis of the information to generate key issues and corresponding recommendations.

The current state phase generated a comprehensive, 360 degree snapshot of GPEB. This phase of the Review involved conducting 13 GPEB employee sessions, and interviews with each GPEB Executive Team member, various executives of BC Lottery Corporation, and key executive stakeholders with the Ministries of Finance and Community, Sport and Cultural Development. The overall findings from the current state phase of the project highlight an organization that is performing work satisfactorily for the most part, but has a broad spectrum of performance ranging from high performing to gravely concerning.

The second phase of the Review established a new vision, mission, values, desired culture, and business goals for the future state of GPEB. The Executive Team provided this input into a new business plan that will serve as a road map for staff in the coming years.

Analysis of information gathered from the first and second phases of the Review confirmed 20 key issues that currently exist within GPEB. They are separated into four quadrants as follows:

Maintain (Keep)	Establish (Start)
<ol style="list-style-type: none"> 1. Responsible and Problem Gambling Program 2. Personnel Registration program 3. Certification program 4. Regionalized service delivery structure 5. Horse Racing program 	<ol style="list-style-type: none"> 16. Operationalize Enterprise Risk Management and Quality Assurance within divisions 17. Clarity of Community Gaming Grants program roles between GPEB and CSCD 18. ADM's Office resources 19. <i>Gaming Control Act</i> and Regulations review 20. Modernization of organization name
Improve	Extinguish (Stop)
<ol style="list-style-type: none"> 6. Strategic policy competence and capacity 7. Investigations and Regional Operations effectiveness and stakeholder relationships 8. Decrease adversity and manage political relationships throughout GPEB (BCLC, Ministry of Finance, MLAs) 9. Resourcing for public facing and administrative support services 10. Technology systems 11. Corporate registration program 12. Audit and Compliance program effectiveness and stakeholder relationships 	<ol style="list-style-type: none"> 13. Focus on lottery compliance 14. Paid parking and mileage 15. Working group structure for key strategic priorities and risks

Recommendations were developed for each of the 20 issues and themes and are presented in detail in this report.

To support the recommendations, three organizational structure options have been developed:

1. Maintain the status quo
2. Restructure to a three-division model
 - i. Compliance and Enforcement Division
 - ii. Responsible and Problem Gambling and Grants Division
 - iii. Policy and Corporate Services Division
3. Restructure to a four-division model
 - i. Licensing, Registration and Certification Division
 - ii. Compliance and Enforcement Division (includes audit, inspections, investigations)
 - iii. Responsible and Problem Gambling and Grants Division
 - iv. Policy and Corporate Services Division

Common to options 2 and 3 are the recommendations to create an Executive Coordinator position to exclusively support the ADM in identifying and managing strategic issues, a temporary Senior Executive Advisor, Grants position to oversee the transition of the grants program to a new division, and a focus on Strategic Policy Development and Strategic Projects.

Overall, GPEB has an opportunity through this review to modernize, integrate, and streamline ways of delivering its programs and services. Selecting and implementing an appropriate organizational structure to support the delivery of programs and services is the first step towards becoming a high performing organization.

INTRODUCTION AND PROJECT DESCRIPTION

This report summarizes the findings of the Gaming Policy and Enforcement Branch (GPEB) Review, including themes, key issues, options and recommendations to enhance the overall performance of the organization.

The GPEB Review was conducted in response to a culmination of internal and external pressures, trends and events that the organization has been facing or expects to be addressing in the near future. The project presents an opportunity to conduct a comprehensive review of the organization in its entirety, evaluating core business at GPEB and how it is being delivered. Central to the GPEB Review is the desire to become better aligned and integrated within the organization, with key gambling industry stakeholders, and with the future direction of gambling in BC.

The vision for the GPEB Review is that when completed, GPEB's programs and services are aligned and integrated to ensure gaming continues to be conducted responsibly and with integrity for the benefit of British Columbians.

The mission of the GPEB Review is to develop recommendations for optimal program delivery and implementation based on an understanding of the organization's current and desired future states. In essence, the purpose of the review answers the question, "How should gambling programs and services be best aligned, integrated and delivered to ensure gaming continues to be conducted responsibly and with integrity for the benefit of British Columbians?" Through a methodical collection and analysis of information, the project has been divided into 3 phases:



1. Phase 1: Current State

- reviewing current work occurring within each of GPEB's divisions
- interviewing key stakeholders including BC Lottery Corporation executives, Ministry of Finance executives, the former GPEB ADM, and the ADM of Culture, Arts, Gaming Grants and Sport.

2. Phase 2: Future state

- designing a new vision and mission with GPEB's current Executive Team
- developing new business goals and focus with GPEB's current Executive Team (resulting in a new Business Plan for the branch)
- prioritizing key initiatives, programs, and services for the branch
- interviewing key stakeholders (noted above in the current state phase) on perspectives on GPEB's future

3. Phase 3: Strategic analysis of the gap between the current and future states

- generating key themes and issues GPEB currently faces in reaching the desired future state
- developing recommendations on effective programs and infrastructure that enables GPEB to achieve its desired culture and business goals

A fourth phase, Implementation, will begin for the project once the outcomes of this report are considered and the ADM, GPEB decides what actions will be taken resulting from the review. The implementation phase will include designing a plan for the accepted GPEB Review recommendations that will need to be implemented resulting from this report.

The review of the organization and its programs has been championed and led by the ADM of GPEB who provided the project vision and mission. The project has been managed by a third party, the Strategic Human Resources (SHR) Branch of the Ministry of Finance, who has recently begun providing consultative advice and support to GPEB and can therefore ensure a neutral analysis. As the review had a significant focus on the compliance and enforcement programs and services provided within the branch, a third party compliance and enforcement expert also joined the project team to provide regulatory policy and programming advice.

Supporting the project throughout each phase was the Ministry of Finance's Performance Management and Corporate Priorities Branch, led by Donna Selbee, who developed a communication plan and provided communications support to the ADM and GCPE. (See Appendix A for a brief overview of the communications plan for the project.)

GPEB HISTORY

GPEB's beginnings provide organizational context for why the GPEB Review project is timely. GPEB began as the Gaming Commission (GC) and Horse Racing Commission. The GC drafted policies and standards for how legal gaming was to be run (i.e. charity-run casino nights and bingo halls). The GC issued licences and inspected all events and audited a charity's eligibility for the licences and how the funds raised were spent. In 1996, the Gaming Audit and Investigation Office (GAIO) was created to investigate criminal and regulatory matters occurring in gaming facilities, conduct forensic audits, and register gaming workers and product suppliers. The Gaming Commission also continued to exist, and continued to be responsible for inspections of events, auditing charities, drafting of policies and standards, and issuing licences. The introduction of slot machines to the province in 1999 resulted in a shift in focus for the GC towards inspecting bingo and auditing charities, and leaving enforcement activities within casinos to BC Lottery Corporation (BCLC), which previously was only involved in sales of lottery tickets. The inspections role began to phase out at this time in favour of auditors at the GC.

In 2002, GAIO, the GC and the Horse Racing Commission merged to form GPEB. The Gaming Control Act was introduced. For the first time, compliance and enforcement was divided into separate work units (Investigations, Audit and Compliance, Licensing, for example). In 2007, a lottery retailer scandal originating in Ontario turned attention on BC's lack of controls, resulting in an investigation into GPEB by the Office of the Ombudsman. One of GPEB's responses to this issue was the dedication of resources towards lottery compliance and enforcement, including creation of the lottery registration work unit, a lottery audit work unit, and a lottery retailer investigations work unit (each housed in 3 separate divisions).

The 2007 Ombudsman Report also recommended that the functions of internal compliance, quality assurance and risk management functions be centralized within the branch, and a strategic leadership position reporting to the ADM be created to oversee these functions. The Executive Director, Internal Compliance and Risk Management role was filled and today is a standalone position that maintains the branch risk register and various internal compliance programs.

In 2010, the Community Gaming Grant program came into effect, amalgamating the Direct Access Program Grants and the Bingo Affiliation Grants that had been operating since the late 1990s. Premier Clark responded to complaints about the gaming grants by dividing the program between two ministries; today grants continue under the Ministry of Community, Sport, and Cultural Development (responsible for the fund policy and the money itself) and GPEB (responsible for administering the program).

In 2011, the Responsible and Problem Gambling (RPG) Program became a strategic priority for the branch, and was moved from reporting to the Executive Director, Corporate Services to directly reporting to the ADM. The profile for RPG needed to be raised as it was viewed that the social licence to operate gambling activities in the province was directly dependent on the ability of RPG to deliver services. This social responsibility perspective needed to be integrated into all of GPEB's work.

GPEB has been a part of 5 ministries in the past 6 years. Today, GPEB is a division of the Ministry of Finance, reporting to the Associate Deputy Minister. The current structure of GPEB allocates 156 FTEs of the branch into 8 divisions: Registration and Certification; Licensing and Grants; Quality Assurance and Risk; Responsible Gambling; Audit and Compliance; Racing; Investigations; Policy and Corporate Services. The lead position of each of the 8 divisions reports to the Assistant Deputy Minister of GPEB, forming GPEB's Executive Team. The Executive Team consists of 6 Executive Directors (classified within the Strategic Leadership band), 2 Directors (classified within the Business Leadership band), and the ADM.

PHASE I: CURRENT STATE

The history of GPEB has led the organization to where it is today, the "current state." The GPEB Review began with a comprehensive look at the current state of the organization, starting with an internal review where staff participated in a variety of information gathering sessions about the current deliverables and processes occurring at GPEB. Once the employee sessions were completed, interviews were conducted with each GPEB Executive Team member, various executives of BC Lottery Corporation, and executives of Ministry of Finance's Corporate Services Division and the Deputy Minister's Office.

METHODOLOGY: LANGDON'S LANGUAGE OF WORK MODEL

In total, 49 employees participated in 12 sessions gathering information about the current state internal to GPEB over May and June, 2014. A 13th session was conducted with the ADM and 8 divisional leaders to capture the executive team's corporate-wide deliverables and processes.

Langdon's Language of Work model (see Appendix B) was selected as the most appropriate tool to gather information in these sessions. The Language of Work model was developed by Danny Langdon in the mid-1990's as a method of mapping work and business processes. It is a neutral model that captures high level deliverables (called 'outputs') in each work unit. It is not intended to evaluate the performance of the work or process (i.e. how well or how poorly the work is being carried out). The Strategic Human

Resources Branch within the Ministry of Finance has used this model for over seven years with various client groups in the ministry with success; as it was a 'tried and tested' model, it was determined this was an appropriate framework and methodology from which the GPEB Review would benefit.

Staff were invited by their respective Executive Director or Director to participate in their work unit's current state session. The sessions were a minimum of three hours each. The intent was for factual information to be gathered at the sessions only. The Language of Work model does not judge or value information provided—it is simply a process documentation tool. Naturally, staff attended the sessions also prepared to present information about what was working well and what was not working well, in addition to providing factual information about their work. The issues and any corresponding solutions were recorded as a "parking lot" for each work unit, but were not the main focus or purpose of the sessions. Following each session, the information generated was formatted and emailed to employee representatives. It was then their responsibility to share the information to all staff within their work unit and validate the information. In this way, every staff member of GPEB had the opportunity to participate in the review and contribute to the information gathering phase of the project. It should also be noted that the Executive Team members collectively made a decision not to participate in the current state sessions; they were intended for as many 'front line staff' as possible. It was felt that an Executive Director's presence in the session would prevent staff from being entirely forthcoming in their information provided. This is a typical practice for Language of Work sessions and is not unique to GPEB.

Staff that were viewed as credible experts who could represent their peers well in conveying information about work processes and deliverables were selected to participate in the sessions. (See Appendix C for criteria and schedule of sessions.) The intention in using these selection criteria was for staff to support the process, and to ensure everyone perceived that the GPEB Review was fair and comprehensive.

SUMMARY OF EMPLOYEE CURRENT STATE SESSION OUTPUTS

The process maps developed from each session can be found in a supplementary document to this report, and have been provided to the ADM. A summary table of all the deliverables (referred to as "outputs" in the LoW model) are in Appendix D.

The employee sessions confirmed the broad range of activities currently underway at GPEB. Many of these processes are a decade old or built on "workarounds," and would benefit from a refreshed, modern perspective. There is evidence of collaboration and communication between some divisions and work units that are connected by their client or purpose. For example, the Certification Unit works with Audit and Compliance Division's charitable audit group with regard to electronic 50/50 systems, Investigations Division when an investigation involves the technological design of a lottery or casino product/platform, and Registration and Certification Division's Corporate Registration work unit when registering an organization for the first time also requires certification expertise. There was no evidence from the sessions to suggest that the regionalized structure (i.e. the offices in Prince George and Kelowna) is dysfunctional. In fact, it appears there are more benefits to maintaining a geographic dispersion of staff delivering GPEB's programs and services than not. A regional presence in key communities across the province appears to have enabled GPEB staff from two divisions (ACD and IROD) to work effectively in partnership with each other. This has resulted in a "one window" service approach to citizens, service providers, communities, and organizations in the northern and southern regions of the province. In Burnaby and Victoria, this one window of service from GPEB does not exist. The same citizen or stakeholder group has

multiple GPEB touch points, and receives information that is division-specific. Increasing collaboration across GPEB would result in greater proactive sharing of information, better service, and less potential for inconsistency.

SUMMARY OF “PARKING LOT” ISSUES

While staff were not discouraged from raising issues currently faced in their work units, this was not the focus of the sessions. The emphasis remained on capturing neutral facts about the key deliverables. The reason why current state sessions were not focused around the questions, “what’s wrong with the current state of your work unit and how would you resolve it?” is because there is no guarantee that the way programs are delivered in the current state will stay that way at the end of the GPEB Review. We did not want staff to spend staff’s valuable time generating ideas about how to resolve issues that may be irrelevant in the future. The reason for including a “future state” phase into the GPEB Review was to undergo a visioning exercise where new opportunities and priorities were identified, and potentially a new organizational structure to support the delivery of these new priorities. A commitment was made to staff that if some of the issues generated from their session were relevant at the end of the review, there would be follow up and their comments would be pursued further. Appendix D contains a table that summarizes the issues brought forward by the respective employee groups.

The issues raised by staff represent the sentiments internal to the organization only and are reflective of today’s current way of delivering programs and services. They are not all validated by the GPEB Review; that is, they do not reflect the experiences and opinions of all key stakeholders to GPEB that were interviewed as part of the review.

SWOT ANALYSIS

Another aspect included in the current state analysis of the GPEB Review was a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis. The Executive Team conducted the SWOT Analysis in May, 2014, to build a foundation on which to develop a new vision, mission, values, and key business goals for GPEB.

Main themes for GPEB’s internal strengths:

- the people. Staff are knowledgeable and passionate about their work
- length of time GPEB (formerly GAIO, GC, etc.) has existed as a regulator of gaming in BC
- culture of being resilient (to change in leadership and ministries)

Main themes for GPEB’s internal weaknesses:

- expected retirements are significant, especially staff in senior and executive leadership positions, Licensing and Grants Division and Investigations and Regional Operations Division. This puts corporate knowledge at risk
- lack of communication flow within GPEB (need better integration and alignment)
- relationship with BCLC (not aware of issues proactively, communication not effective in some areas)
- technology and GOS
- Gaming Control Act – some areas may be acting outside their authority, legislation is not adaptive to changing environment

Main themes for opportunities external to GPEB:

- technology (social media a new way to promote programs, expansion of eGaming, smart phones and handheld devices allow gambling apps). Overall these are opportunities to modernize and refresh the entire organization to deliver in a different way
- shifting trends in gambling including developments in technology and the eGaming industry within BC. BCLC's PlayNow.com eGaming platform and the illegal online gaming industry are both progressing in strides and there is a need for GPEB to modernize itself as a regulator of online gambling activity.
- new leadership at BCLC is an opportunity to redefine relationship
- Internal Audit and Advisor Services' crown review of BC Lottery Corporation will evaluate the areas of duplication between GPEB and BCLC and recommend actions for GPEB once their report is released.
- ability and speed to deliver programs and services

Main themes for threats to GPEB:

- illegal gambling websites are not regulated and therefore unknown. Some may become legal in other provinces and have impacts in BC
- technology crosses international borders (for example, competition with Washington state)
- media attention is negatively biased around our business and organization
- BCLC (potential to overstep their bounds into regulator's domain, and move ahead of issues without providing time for GPEB to develop its own research and policy responses to their solutions)

The SWOT analysis confirmed the Executive Team's opinion that technology is the central driver to most of the threats, opportunities and weaknesses GPEB faces. It reinforces the GPEB Review is an opportunity to address technology in every sense, across all divisions and programs. The SWOT analysis also affirmed one of GPEB's strengths is its people and the knowledge they possess to address threats and weaknesses; however, many of these same people represent the aging workforce which was offered as a main weakness. A significant number of GPEB staff are eligible to retire immediately, presenting a risk to the organization in loss of knowledge, but also an opportunity to modernize and refresh the organization.

EXECUTIVE STAKEHOLDER INTERVIEWS

The final portion of the current state phase involved individually interviewing GPEB Executive Team members and key stakeholders from other ministries, BCLC, and the Ministry of Finance in July and August, 2014. The information provided in these interviews contributed to the overall findings of the review, including key issues and recommendations. The findings of the executive interviews summarized above were then used to generate follow up questions for each Executive Director at GPEB. Robin Jomha, Corporate Registration Director, was also interviewed in order to provide a history of GPEB.

Current State Summary

In summary, the current state phase generated a comprehensive, 360 degree snapshot of GPEB. Information gathered confirms the anecdotal comments and evidence presented to the ADM, GPEB over the past year about why a review would be necessary and timely. The overall findings from the current state phase of the project highlight an organization that is performing work satisfactorily for the most part, with opportunities to work towards becoming a high performing organization that excels at delivering its business objectives and goals.

PHASE II: FUTURE STATE

Exactly what GPEB needs to do to become a high performing organization was the focus of the second phase of the GPEB Review. The current state session answered the question, “where is the organization now?” while the second phase of the project answered, “where do we need to be?” Establishing the future state of GPEB including its vision, mission, values, desired culture, and business goals was an opportunity for the Executive Team to align and integrate work that had, in the past, been separated by divisions.

METHODOLOGY: ORGANIZATION ALIGNMENT MODEL

In order to design the aspects of GPEB’s future state, Tosti’s Organization Alignment model (See Appendix E) was used as a framework for guiding the broad questions and range of discussion that naturally occurs when envisioning possibilities and priorities for GPEB’s future.

The model was selected for the GPEB Review by the Strategic HR Branch because unlike other strategic planning models that only focus on development of business objectives, goals and strategies, the Organizational Alignment Model places equal emphasis on the cultural aspects (values, behaviours and actions) of the organization, which are equally key to achieving desired results and the vision. The third focus of the model is developing the organizational structure, systems, processes, policies, and programs required to focus the business goals and culture.

Three full-day strategic and future state planning sessions were held in Victoria with the Executive Team, beginning on May 7, 2014. The first session focused on the highest level of strategic visioning in the literal sense, creating a new vision for GPEB. The second Executive Team planning session saw the development of GPEB’s new priorities and focus, including drafting key goals and actions. It was agreed that creating new business goals and priorities was required, which would also require the development of new outcomes-based performance measures for the new goals. Enhancing relationships with key stakeholders, engagement of staff and succession planning emerged as significant priorities. The third session involved each Executive Director presenting his or her opinions on the highest risk areas and key priorities that must continue, increase, or start.

BUSINESS GOALS

Inspired by the Executive Team’s strategic planning sessions, a new Business Plan for GPEB) has been drafted and includes goals that will help GPEB achieve its desired future culture and focus of work.

GPEB VISION: THE PUBLIC HAS CONFIDENCE IN B.C.'S GAMBLING INDUSTRY

The Executive Team developed a new vision for the branch. The Team intentionally created the vision to be an inspiring goal, one that articulates a future state of dedicated professionals committed to providing excellence in all that GPEB does. Inherent in the vision development was the concept of serving the public interest first. The Executive Team felt the vision would be achieved if GPEB served the public interest first and ensured gambling integrity in the province. The phrase, "public interest first," was repeated several times throughout the executive team planning sessions, which led to the finalizing of the new vision statement.

GPEB MISSION: GAMBLING IS CONDUCTED RESPONSIBLY AND WITH INTEGRITY FOR THE BENEFIT OF BRITISH COLUMBIANS

GPEB's former vision statement is now its mission statement. The Executive Team made this change as it was felt that the statement better reflects GPEB's purpose (i.e. what it is in business to do). The mission statement guides GPEB's actions by providing the framework or context within which GPEB's business goals are formulated.

GPEB's vision and mission are the foundation for GPEB's future state, and the basis for GPEB's culture. Organizational culture includes the values and behaviours that contribute to the social and psychological environment of an organization. GPEB's culture is formed by the expectations, experiences, philosophies, and values of its leadership and people. The GPEB Review presents an opportunity to revisit the values and expectations it has of itself as BC's gambling regulator.

The Executive Team affirmed that many values and attributes that make up GPEB's current culture need to remain as the foundation for GPEB's future culture, including:

- BC Public Service values
- Integrity. Of particular meaning to GPEB is integrity. The term is inherent in its legislation, and the phrase, "integrity in gaming," is embedded in the culture.
- Resilience. GPEB can sustain change.

In the future, the following are indicators of GPEB successfully achieving its desired future culture:

- Putting Our People First: engaged employees are key to a satisfied, high performing organization. We expect leadership excellence, respect and honesty in every workplace, diversity in ideas, and work-life balance.
- Innovation: we are modern regulators, taking innovation to the next level, ensuring our legislation, regulations, structure, systems, and resources support us to proactively respond to issues with innovative solutions.
- Excellence: we encourage being the best in all of our actions and work, and rewarding excellence throughout the branch.
- Alignment and integration: GPEB staff are "one winning team" in meeting our annual objectives and goals, realizing that all our work is important. The entire organization is informed and connected to all parts of the branch, ensuring the public, service providers, and other stakeholders receive consistent information and service

At the foundation of the business goals, values, mission and vision for GPEB are people and tools. The Executive Team strongly supports putting "Our People" first, and ensuring training and development, engagement, and investment in staff as a foundational

element of GPEB's business. The Executive Team also believes strongly that technology tools, and in particular, the IT systems that support GPEB's business, are paramount to GPEB achieving its desired future state. In subsequent sections of this report, staff development and IT systems issues and recommendations support the Executive Team's direction.

PHASE III: ANALYSIS

The gap between GPEB's current state and desired future state is where all opportunities to align and integrate GPEB programs and people exist. This is the key phase of the review that identifies the main issues and mitigating solutions recommended to move GPEB to its future state. The recommendations in this section of the report are based on information gathered from staff and stakeholders and a critical legal decision in Canada (see Ling and Jarvis Analysis, Appendix F), and in the current and future state phases of the project.

The next section of the report identifies all of the key issues emerging from the GPEB Review. These issues and their corresponding recommendations support a decision to restructure GPEB to more effectively address the issues and recommendations.

PHASE III: KEY ISSUES AND RECOMMENDATIONS

The matrix below lists the key issues and themes emerging from the GPEB Review into one of 4 categories. The Performance Matrix provides a systematic process for identifying issues resulting from a gap between the current state of an organization and its desired future state. Through the review, 20 main themes and issues were identified as follows:

Maintain (Keep)	Establish (Start)
<ol style="list-style-type: none"> 1. Responsible and Problem Gambling Program 2. Personnel Registration program 3. Certification program 4. Regionalized service delivery structure 5. Horse Racing program 	<ol style="list-style-type: none"> 16. Operationalize Enterprise Risk Management and Quality Assurance within divisions 17. Clarity of Community Gaming Grants program roles between GPEB and CSCD 18. ADM's Office resources 19. <i>Gaming Control Act</i> and Regulations review 20. Modernization of organization name
Improve	Extinguish (Stop)
<ol style="list-style-type: none"> 6. Strategic policy competence and capacity 7. Investigations and Regional Operations effectiveness and stakeholder relationships 8. Decrease adversity and manage political relationships throughout GPEB (BCLC, Ministry of Finance, MLAs) 9. Resourcing for public facing and administrative support services 10. Technology systems 11. Corporate registration program 12. Audit and Compliance program effectiveness and stakeholder relationships 	<ol style="list-style-type: none"> 13. Focus on lottery compliance 14. Paid parking and mileage 15. Working group structure for key strategic priorities and risks

Recommendations were developed for each of the themes and issues and are summarized below:

Maintain

- The strategic direction of the Responsible and Problem Gambling Program continue to provide services to citizens in both proactive and clinical programs. Effective partnering with BCLC in the area of social responsibility (i.e. the GameSense program) should continue.
- Some administrative aspects of the program management require change (e.g. information management system to record and report out on program performance and executive support for program educational and awareness campaigns).
- The Personnel Registration program should continue. Explore opportunities for work unit to “lean”/ streamline administrative processes, provide cross training for administrative positions and ensure resources support the high volume of transactions now and in the future.
- Ensure Certification continues to provide excellent service. Review resourcing to sustain level of service.
- GPEB to maintain a presence in regions in BC. Determine if expansion of regionalized structure to other GPEB areas is feasible and desirable.
- Maintain current functions and structure of GPEB’s Racing Division, however, as it is primarily a technical compliance operation it could be encompassed within another compliance-oriented division.

Improve

- Develop capacity and capability in strategic policy planning in existing staff and consider dedicating additional resources to strategic foresight and research.
- Look for opportunities to embed issues identification and management within the divisions using divisional level support to manage policy.
- Develop a culture and formalized system of information sharing and build competency in strategic orientation for staff to understand how emerging issues can become corporate or strategic policy priorities.
- Review Investigations’ organizational structure, culture, processes and outcomes to develop future focus on compliance and risk-based enforcement, accountability and transparency.
- Develop a new investigations program to enhance intelligence gathering capability, including appropriate information/intelligence sharing agreements and enhanced collaboration with partner organizations (e.g., BCLC Corporate Security and Compliance).
- Enhance stakeholder relationships and ensure accountability by including performance expectations and measures for each GPEB Executive Team member.
- Proactively address building effective relationships with BCLC as an immediate priority.
- Improve relationship with Ministry of Finance by clearly communicating to staff the importance of working effectively with the ministry to support corporate initiatives and outcomes.
- Develop a sustainable, long term grants program strategy that includes a transition plan to CSCD for MLA relationship maintenance, while maintaining relationships in the immediate term.
- Integrate administrative support functions to support more than one program area which would include a generalist job profile, cross training and facilitating a forum for discussing common issues and solutions and improving effectiveness.
- Using the information gathered from staff on GOS in the review, build a strong business case to either enhance the system or identify a new option to support business needs.
- Continue investing in training and development for investigative staff in CREG to ensure their knowledge of technology firms, complex organizational structures, and other industry developments is current.
- Research and advocate options for alternative fee schedules in corporate registration.
- Develop a new perspective and strategy on how to collaborate with BCLC and KPMG to ensure a comprehensive, value-added audit program for the province.
- Restructure investigations and audit functions to achieve greater efficiencies and outcomes with respect to accountability, functional lines of reporting and operational effectiveness.

- Create a single position to oversee and direct the operations of investigations and audit to increase coordination between the two functions to enhance effectiveness, efficiency and speed when responding to emerging issues.

Train investigators and inspectors in enforcement approaches consistent with government regulatory compliance.

Extinguish

- Reduce the volume of lottery audits, limited to the highest risk retailers, and reallocate resources to generalist auditor and inspector roles.
- Amalgamate auditor roles to include charitable, casino and lottery into one generalist position with consistent classification.
- Ensure compliance with corporate and Ministry of Finance parking and mileage policy.
- Create temporary project teams with full-time resources reporting directly to the ADM to develop and finalize the organization's strategy for E-Gaming and other strategic initiatives for the branch.

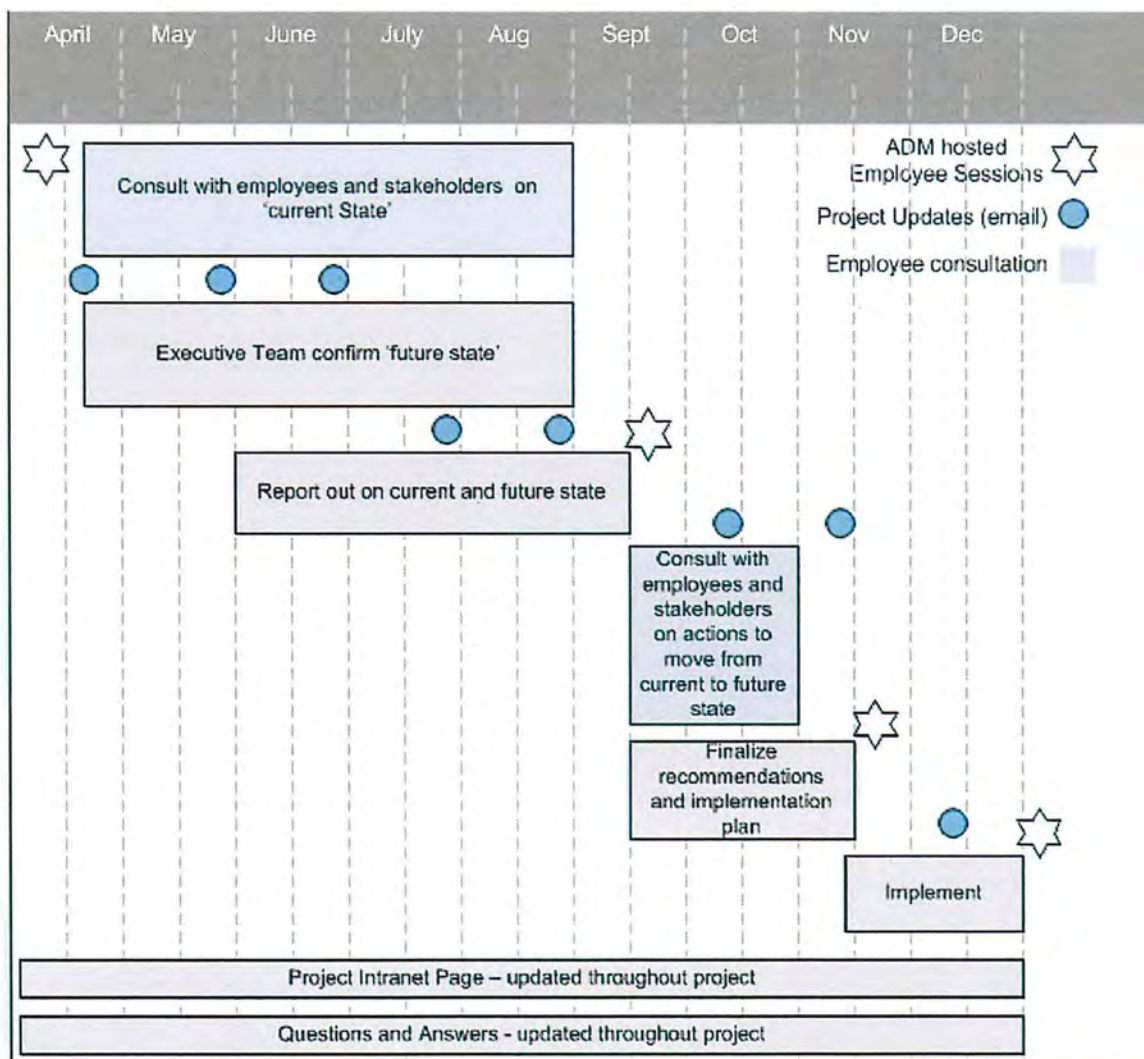
Establish

- Identification and management of risk become part of each GPEB work unit's culture.
- Hold each Executive team member accountable for integration of risk management into the new GPEB organization.
- Include responsibility for ensuring rollup of risk management data and intelligence from the divisions is incorporated into an existing position in GPEB which would include liaising with the Ministry of Finance Risk Management Branch and Corporate Services Division in area of Enterprise Risk Management.
- Seek clarity and develop a roles and responsibilities document between GPEB and CSCD for the Community Gaming Grant program.
- Develop a strategy for transitioning all non-administrative aspects of the Community Gaming Grant program to CSCD in consultation with CSCD. .
- Create an executive coordinator role reporting to the ADM to proactively identify emerging issues, manage strategic issues and risk for the ADM, communicate the ADM's priorities and expectations and serve as a liaison with the Ministry of Finance, BCLC, and other key stakeholders.
- Review the Executive Administrative Assistant position and confirm need for a dedicated resource for the ADM GPEB.
- Build a business case to demonstrate need to conduct a comprehensive legislation and regulatory review, including rationale to maintain or change GPEB's name.

APPENDIX

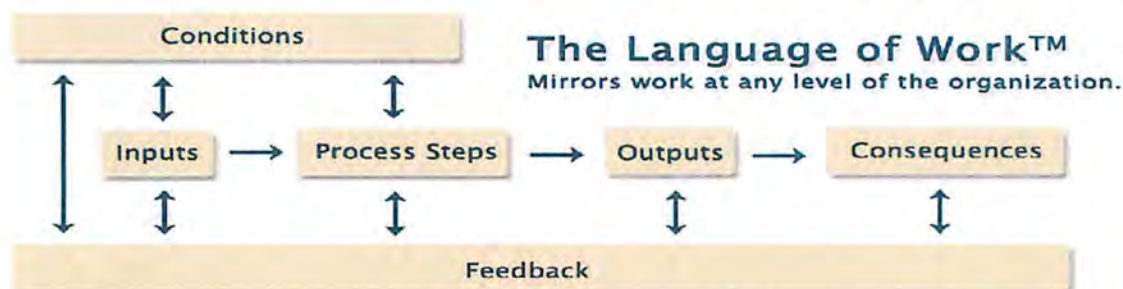
A: COMMUNICATIONS PLAN

Gaming Policy and Enforcement Branch
Moving Towards Our Future
 Key Project and Communication Activities



- ADM hosted Employee Sessions will be held in Victoria and Branch offices outside of Victoria.
- Project Updates will be provided monthly, unless an ADM hosted employee session is held within the Project Update timeframe.
- Key Project Timelines and ADM hosted Employee Sessions may be adjusted as the project progresses.

B: LANGDON'S LANGUAGE OF WORK MODEL (CURRENT STATE)



Inputs are both the necessary resources for doing work or the triggers that start all work. Typical resources include various internal and external people we need, as well as equipment, funds, or information we utilize. Triggers, as inputs, initiate our work; for example, a request from a client or customer, boss or co-worker would be an input. The start of a new year, or billing period, could also be a trigger.

Conditions are the rules, laws, policies and procedures that govern all work. Often, these rules and guidelines are forgotten as work is started; often people assume others will understand them (and know where to find them). Conditions include the internal policies and procedures, as well as the external laws and regulations that affect all parts of work. We need to follow conditions to keep us all out of trouble. Conditions affect inputs, process steps, and feedback.

Process Steps are the procedures or activities we engage in to use the inputs provided, under certain conditions, to produce the products and services as outputs. This is the aspect of work we most often think of when we describe our work. Process steps begin with an input trigger, followed by one activity after the other, until the output is produced.

Outputs are the desired products, services, or knowledge that are produced in a work setting. These are the *tangible* deliverables that we produce for clients — internal and external.

The principles of behavioral psychology teach us that **feedback** is important to establish, improve, maintain, correct and reinforce work performance. Therefore, we need to know what feedback to give while we are working or supervising others. We also need to know that we have completed our work and it is satisfactory to clients and others.

Consequences are the desirable benefits or “value-add” we try to achieve in work. Consequences are normally defined first, allowing the appropriate outputs (products, services, knowledge) to be defined. Once defined, they can be produced to achieve the positive consequences we want. Consequences help everyone understand the positive benefits to be achieved for customers, the organization and individuals. Consequences normally take the form of profit for the organization and satisfaction for clients and employees.

C: EMPLOYEE REPRESENTATIVES AND SELECTION CRITERIA FOR LANGUAGE OF WORK (CURRENT STATE) SESSIONS

In addition to the 12 sessions noted below, the Executive Team also underwent its own session.

Sessions (12)	Employees (49)
Investigations and Regional Operations	8
Non-Commercial Audit	4
Commercial Audit	6
Certification	1
Personnel and Lottery Registration	5
Grants	3
Responsible and Problem Gambling	5
Horse Racing	5
Corp Services (IT, Policy, Communication, Business Planning)	7
Corporate Registration	2
Licensing	3
Internal Compliance & Risk Management	1

Employee Representative Selection Criteria

Note: criteria were not shared with employees; it was for GPEB Executive Team members only.

The 'current state' sessions are a fact gathering exercise. The sessions are not intended to collect opinions on what may or may not be working, or to collect solutions to perceived issues. If these arise at a session they will be documented, but will not be explored until discussion of future state where they may be relevant.

Employee representative should meet the following selection criteria.

An expert	<ul style="list-style-type: none"> • Knowledgeable in all aspects of the work unit they are representing; would be considered an expert by those they work with • Can speak to the processes, stakeholders, outcomes, external conditions impacting the work the unit is responsible for • examples of questions the employee representative will answer are: <ul style="list-style-type: none"> ○ What governs your work (e.g. legislation, policy, rules)? ○ What times of the year are there increased pressures (e.g. year-end, seasonally)? ○ What triggers your work (e.g. business/work plan, customer request)? ○ What are tangible deliverables produced as a result of the work in your unit?
Positive and engaged	<ul style="list-style-type: none"> • Is positive and engaged in their work and in the workplace • View the GPEB Review as an opportunity to contribute to positive change and shape the future of the organization • Will bring a solutions-focused approach to the session; will not default to negativity/complaints
Have respect of peers/colleagues	<ul style="list-style-type: none"> • Possess credibility with their peers • Perceived to be a fair advocate of the current work of the work unit
Able and willing	<ul style="list-style-type: none"> • Able and willing to commit the time required to adequately prepare for and participate in the half-day current state session, and debrief with their colleagues following the session • Ability to respond to peers questions regarding the results of the session, encourage feedback, gather and summarize input, and provide revisions to/finalize session work

Questions and Answers

How are/were employee representatives selected?

Employees were chosen based on their ability to be a fair advocate of the complete scope of work of their work unit, as well as their interest in being involved in the GPEB Review.

Given the calibre of GPEB employees, choosing one employee representative per work unit was not an easy task. However, the bottom line is that every employee will be involved in the Review. If you are not part of the 'current state' session, you will have the

opportunity to review the information gathered for your work unit at the session, provide comments and validate the information before it is finalized.

If we are not an employee representative, how will we be involved in the GPEB Review?

All employees will have the opportunity to:

- Review the results of the 'current state' session for their work unit to ensure it is accurate and complete before it is considered final.
 - Employee representatives will review the results of the 'current state' session to answer your questions, and gather and reflect your feedback.
- Provide input regarding specific objectives and actions that will support the vision, mission, values and strategies; moving our organization from 'current' to 'future' state.
 - Once the Executive Team's work on our 'future state' is complete, it will be shared with employees to ask for your input on how this 'future state' can be realized. We will be asking for specific actions that will move us from where we are now to where we need to be to support our ongoing success.

D: LANGUAGE OF WORK (CURRENT STATE) SESSION SUMMARY

The full version of the Language of Work model documents are provided as a supplementary document to this report. A summary of the main deliverables are provided below, followed by a summary of issues (i.e. the “parking lot”).

Work Unit	Deliverables (Outputs)
Executive	<ul style="list-style-type: none"> • strategic planning, monitoring and reporting performed • budget managed • issued managed • executive communications provided and managed • corporate support provided • human resources management
Commercial Audit	<ul style="list-style-type: none"> • audit reports on BCLC produced • audit reports produced on physical gaming locations • ad hoc reports produced (note: approx. 6/year?) • 5-Year Audit Plan produced • inspections performed • quarterly DAC review report produced • HLG payments to municipalities are verified • annual summary report produced • ACD report produced • Data analyzed; reports generated; accountability communicated to ADM • disseminate business intelligence
Charitable Audit	<ul style="list-style-type: none"> • audit reports produced • education provided • information provided; complaints addressed • data analyzed; reports generated; accountability communicated to ADM • expertise provided internally • administration roles: travel budget managed; reception duties performed, records managed
Investigations and Regional Operations	<ul style="list-style-type: none"> • investigation logs completed and approved (for those files that conclude here) • information file generated and concluded • reports of findings produced • reports to Crown Counsel produced • tickets and violations issued • verbal and written warnings issued

	<ul style="list-style-type: none"> • data collected and maintained, information provided (stats, FOI, website)
Responsible and Problem Gambling	<ul style="list-style-type: none"> • free clinical services to BC citizens • clinical services and education services to indigenous groups provided • prevention services provided to community (i.e. target groups on Responsible and Problem Gambling) • 2-1-1 information referral service provided 24-7 Problem Gambling Helpline” • support and referral services for casino patrons provided in partnership with BCLC (i.e. GameSense Advisors) • Responsible and Problem Gambling (RPG) policy developed • marketing and promotion for RPG coordinated and administered • data and reporting • budget management • hiring and orientation training for contracted service providers/stakeholders
Grants	<ul style="list-style-type: none"> • grant funding applications processed • reconsiderations approved or denied • audits completed and issues addressed • special one-time grant issued • non-gaming grants issued (Multicultural, BC Arts Council, BC 150, Playground) • education provided (to public, other government entities)
Licensing	<ul style="list-style-type: none"> • licenses issued or denied • reconsiderations processed • non-compliance alerts identified and forwarded to Investigations or Audit and Compliance Division • information provided to the public • records managed • GERRS reviewed and entered into GOS • reception services provided for the branch
Personnel and Lottery Registration	<ul style="list-style-type: none"> • clearance provided for BCLC board members, BCLC workers, gaming workers, GPEB employees • gaming worker registrations renewed • gaming worker tag replaced • lottery retailers registered • lottery retailers registration renewed • site certificates replaced • Gaming Workers Registry and GOS maintained • administrative decisions rendered

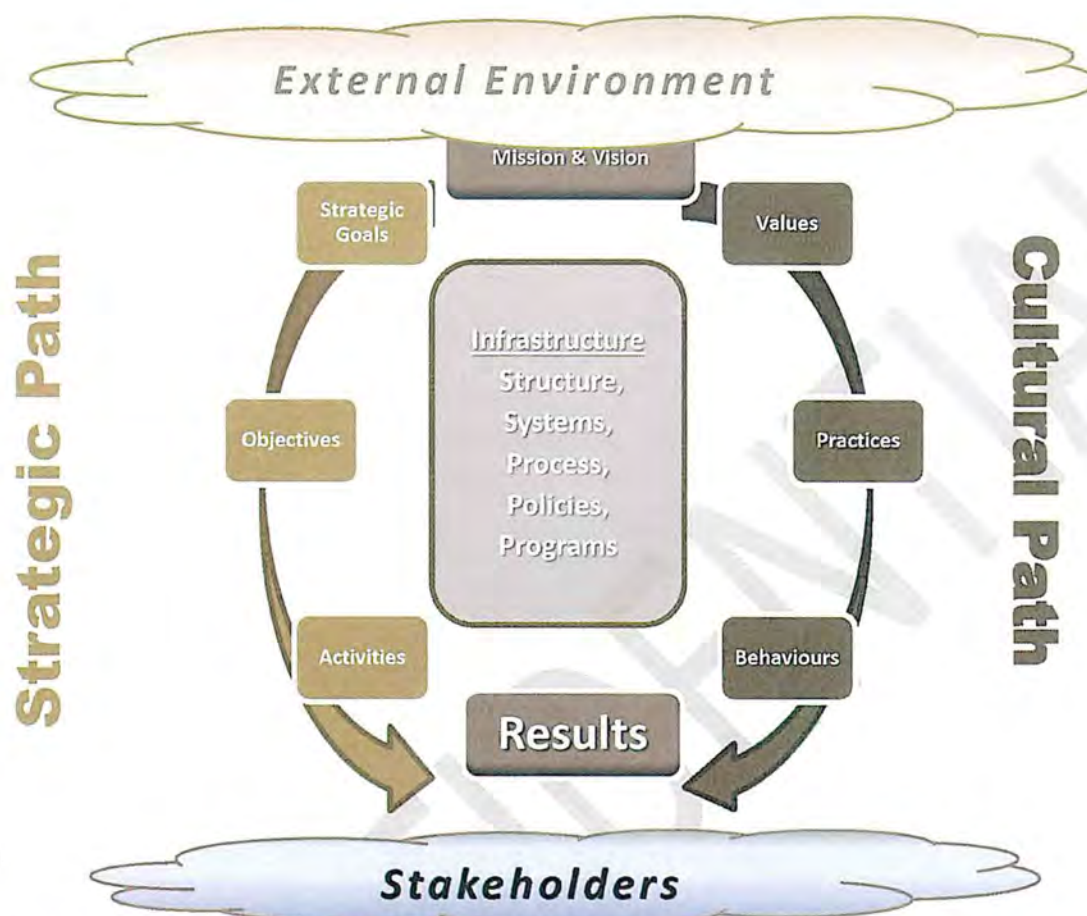
	<ul style="list-style-type: none"> • CPIC, PSP audits performed • new employees onboarded and granted access
Corporate Registration	<ul style="list-style-type: none"> • registration decisions made (approved or denied), report of findings produced • sanctions made and sanctions registry maintained • corporate registry maintained • Section 73 decisions communicated • respond to requests for information through CLIFF • financial integrity reports produced • site certificates issued and replaced • gaming worker tags issued and replaced • conditions of registration issued • financial collection and reconciliation completed, annual registration fee invoices completed • budget forecasting and expenditure monitoring completed • BCLC advice on registration requirement of RFP applicants provided • relocations of gaming facilities approved
Certification	<ul style="list-style-type: none"> • gaming equipment and internet games certified • lottery and bingo equipment products certified • technical investigations conducted, investigation supported (including Investigations Division) • corporate registration investigations support provided • BC's technical standards for gaming equipment maintained and published • revocation of gaming supplies processed • research conducted and specialist consultations/expert opinion provided • electronic 50/50 systems for licensed charitable organizations certified*
Horse Racing	<ul style="list-style-type: none"> • races judged • inspections and investigations completed • rulings, fines and suspensions issued • reconsiderations made • industry participants licensed • requests for data from public/media responded to
Corporate Services	<ul style="list-style-type: none"> • communications (Minister responses, media, web mail, web contact, ADM correspondence) developed and released • operational and strategic policy services provided • FOIPP administered • internal finances managed

	<ul style="list-style-type: none"> • payments made to HLG, HP, DAC • branch purchasing and account management completed • GPEB Budgets developed and monitored • facilities issues and requests managed • executive supported and file managed • financial planning and management with Branch stakeholders completed (including BCLC GL reconciliations, capital planning, OCG audit requests) • REGIS and GOS maintained • websites maintained • technical support provided • data extracted and reports generated as requested by clients
Work Unit	Parking Lot (Issues and Solutions)
Executive	<ul style="list-style-type: none"> • policy capacity across GPEB
Commercial Audit	<ul style="list-style-type: none"> • BCLC bottleneck in the process for receiving information. Difficult to get info and/or access (ex. Attending a draw) • BCLC tries to subvert the audit process by, for example, having sr executive involvement after reports are issued. • communication challenges between divisions that result in inconsistent information or understanding
Charitable Audit	<ul style="list-style-type: none"> • waiting 3 years for corporate services' policy staff to update guidelines for electronic 50/50s—audit staff developed them and are not technically authorized to use them • GOS: doesn't accommodate planning, records, reporting needs. Audit staff can't identify if a charity has been/currently undergoing an investigation • no centralized complaints system (for similar themes from complainants. No consistency in classifying complaints as non-compliance (audit would resolve these) or criminal (investigators would resolve these)
Investigations and Regional Operations	<ul style="list-style-type: none"> • Section 86 reports: reduce • eGaming investigations resources and education required • AML strategy (limit suspicious currency transactions, update regulations/policy) • training approvals • more proactive investigations required (minors, retailers with criminal intent)
Responsible and Problem Gambling	<ul style="list-style-type: none"> • no system to manage data—REGIS does not meet needs • no funding for Indigenous program • waning awareness of the program to the public, health professionals (who can refer clients to problem gambling program clinicians). There is a need for

	<p>promotions and education (issues with inability to use budget towards this) in order for uptake of the program</p> <ul style="list-style-type: none"> • overworked staff and contracted coordinators
Grants	<ul style="list-style-type: none"> • GOS does not meet grants administration processing needs in every step of the process for approving and denying grants • administrative overload (need more resources) • special one-time grants and non-gaming grants inserted into workload without consultation with analysts or GPEB • LEAN exercise last year did not implement everything that needed to be changed. Was a very negative experience • grant deadlines spike volume of work • grant approvals, reconsiderations, and special one-time grants represent three levels of approval that the Executive Director has assumed responsibility for (legislation is silent on this—high risk if it is continued)
Licensing	<ul style="list-style-type: none"> • resourcing capacity for administrative support • need to update Licensing Policy and Procedures Manual • GOS: needs upgrading for us to do our work efficiently. It does not automate GERRs (6000/year must be printed, manually data entered); should be auto generating license approval letters but staff must manually edit and revise • 3 day turnaround time creates high pressure/high volume environment. (solution: eliminate Class D licenses as they are low risk, increase turnaround time from 3 days to 5 or more) • Reconsiderations for licenses are time-sensitive (Exec Director may need to drop everything to address some of these) • More information needed (i.e. “why” an application was denied/approved) in our records and tracking applications. • The licensing approval process has significant duplication throughout process (notably applications and records) • GERRs • Inconsistent processes between analysts and agents and admin in providing the public with info, handling complaints.
Personnel and Lottery Registration	<ul style="list-style-type: none"> • number of incomplete applications received for gaming worker tags needs to be reduced (many sit in GOS unnoticed) • time it takes to process a GW tag is too long – work unit is short on resources. Need to design administrative jobs differently for faster/leaner processing times • provisional authorizations (interim before GW tag issued) mean duplicating the

	<p>GW tag process</p> <ul style="list-style-type: none"> • no electronic application process for lottery registrations – GOS cannot do this • no electronic payment system for collecting registration fees (this could reduce process times) • BCLC Territory Managers give out wrong info to public on registration –we need to develop training package for them • GOS has a 5 minute lag for entering lottery applications—it times you out of the system and you lose your data entry work
Corporate Registration	<ul style="list-style-type: none"> • growing complexity of corporations' organizational structures makes it difficult to know how far registration investigations must go to obtain legal, financial, etc. information from officers and executives • travel approval for investigations received last minute or denied for work unit's core business. Feel as though Ministry of Finance does not enable the business
Certification	<ul style="list-style-type: none"> • need additional resources and contingency plan for Director • manual input of every certificate (for equipment, lottery products, software, etc.) – GOS needs to have this capacity • GOS cleanup data required – right now entering data into GOS is an added step • BCLC handles complaints about various equipment/products and should be alerting us of issues before they are dealing with them
Horse Racing	<ul style="list-style-type: none"> • working conditions at race tracks unsafe/unsanitary
SUMMARY OF ISSUES ('Parking Lot')	
Corporate Services	<ul style="list-style-type: none"> • not enough resources in finance, admin, communications, planning and policy • Baseline code for GOS not developed until this summer (unable to make basic system changes for staff) • Ministry of Finance relationships could be stronger in many areas (Office of Associate DM, PMCP, SHR, IMB, DMO) • sharing executive administrative assistant between ADM and two Exec Directors is splitting the resources too thin and creates risk

E: TOSTI'S ORGANIZATIONAL ALIGNMENT MODEL (FUTURE STATE)



This model describes two interdependent paths for moving from a broad statement of organizational mission and vision to specific results:

Strategic: The left-hand path emphasises what needs to be done: the strategic goals the organization will work toward; the objectives that groups and individuals must accomplish to carry out those strategies; the activities that must be performed to meet goals and objectives.

Cultural: The right-hand path emphasises how things should be done: the values that will guide people in carrying out the mission and vision; the practices which reflect those values; the specific, day-to-day behaviors which will represent the values and practices to others as people go about their work.

Infrastructure: At the center of the model is the infrastructure that supports the strategic and cultural paths to achieving results. Infrastructure includes the organizational structure, systems, processes, policies, and programs.

Organizational alignment requires compatibility between the strategic and cultural “paths”, and consistency within them. Organizations have traditionally emphasized the strategic path. Most invest considerable effort in defining strategic goals and objectives. Fewer address the cultural path with clearly defined statements of values (Tosti and Jackson, 2003).

Source: <http://www.ichangeworld.com/docs/icwOA0303.pdf>

F: LING AND JARVIS ANALYSIS AND IMPACTS ON GPEB COMPLIANCE UNITS

Note: This section has been prepared and drafted by Tom Steenvoorden

Powers

While GPEB has a number of units whose mandate includes ensuring compliance of the *Gaming Control Act* (GCA) it is the inspectors and investigators as defined by the Act and the General Manager whose powers can result in the need for Ling and Jarvis considerations. Audit, inspections and investigation authorities within the *Gaming Control Act* are found within Part 9 – Compliance.

GPEB inspectors may conduct inspections and audits for the purposes of; (a) assessing licences, grants under Part 6 of the Act, or registration; (b) monitoring compliance of licensees, eligible organizations and registrants with the Act; and, (c) monitoring compliance of the lottery corporation with the Act and regulations.

Inspection and audit powers found within s. 79 GCA allow the inspector to enter and inspect or audit various types of gaming facilities and ancillary operations. Further, the inspector is authorized to make inquiries and require the production of records or things for the purpose of inspecting or auditing. The inspector may remove these records or things. The person in custody of the records or things is obligated to produce all the records or things that the inspector requires.

The investigative authority of the GPEB investigators found within the Act is simply the enforcement of the Act. Currently GPEB investigators also hold the appointment of Special Provincial Constable pursuant to the *Police Act*. The GPEB Special Provincial Constable appointment provides authority for the appointee to enforce the *Criminal Code of Canada* and Provincial Statutes of British Columbia to the extent necessary.

In conducting GCA investigations, Investigators' powers and duties are the same as the inspector as per s. 79 GCA.

Section 86 GCA also provides authority to the general manager (GPEB) to obtain information, records or things on demand for the purposes of an investigation or an investigative audit from the lottery corporation, a registrant, a licensee and an eligible organization.

It is the use of information, records or things which have been obtained by way of demand that becomes the challenge when a GPEB inquiry or investigation moves into an investigation whose purpose is to seek prosecution under the GCA.

In reviewing available literature exploring the Ling and Jarvis decision in the context of regulatory investigations, most of the analysis has been done within the Ontario Securities context. In their paper titled, "Regulatory Investigations: Applying Jarvis in the Securities Context" Glen Jennings and Catherine Weiler explore factors that are relevant when determining whether the purpose of an inquiry has become penal liability. Of notable interest to the GPEB review is the analysis of "challenges for applying Jarvis from the perspective of Enforcement Staff [which] are: (1) the fact that the same conduct may give rise to administrative and quasi-criminal penalties; and (2) the fact that [like GPEB] in securities Enforcement Divisions, regulatory officials often work both sides of the Rubicon." The document then provides suggested protocols in the case of single team and parallel team investigations.

Within the WorkSafeBC context investigators obtained evidence that would support the laying of charges under their legislation utilizing information/evidence which had been obtained by way of demand. While the use of this information was questioned, it was the lack of use of search warrants and the affording of rights to individuals in jeopardy once the investigators had reasonable grounds to believe that an offence under their legislation may have been committed.

Any recommendations for change to GPEB's current compliance and enforcement organizational structure and operating procedures will need to be examined in the light of the Ling and Jarvis decision. Any organizational structure options designed for the ADM's consideration need to ensure they meet the Ling and Jarvis test.

In conducting the GPEB Branch review the question of combining investigator / inspector job descriptions was posed. Reportedly, the concept of investigator and inspectors working within a team environment or at least supporting each other appears to work well within GPEB regional offices.

Recently the Government of British Columbia conducted an inquiry into the WorkSafeBC regulatory investigation of the 2012 Babine mill fire. The Babine mill fire report was followed by the WorkSafeBC "Review and Action Plan" which was issued in July 2014. While the recommendations contained within these reports are directed towards WorkSafeBC a number of the recommendations may have an effect on other regulatory compliance and enforcement units. The most notable recommendations for compliance and enforcement units involve the Supreme Court of Canada decisions Ling and Jarvis.

Ling and Jarvis are the two leading cases from the Supreme Court of Canada regarding the admissibility of evidence in a prosecution that had been gathered by the use of legislative powers of compulsion. Both cases arose under the Income Tax Act of Canada. The Canada Customs and Revenue Agency (CCRA) had both audit and investigation divisions. The audit division conducted audits for the purposes of ensuring compliance, while the investigation division was responsible for conducting investigations for the purposes of prosecutions under the *Income Tax Act*. In both Ling and Jarvis, an auditor, while conducting a compliance audit, had compelled answers and records using powers granted under the *Income Tax Act*. At some point during the process, the auditors concluded that an offence might have been committed and referred the files to the investigation division of CCRA. Further investigations were conducted and the defendants charged. In both cases, the defendants argued that the information obtained by the auditors was not admissible in the prosecutions on the grounds that it had been obtained in violation of their charter rights under sections 7 & 8 of the *Charter of Rights and Freedoms*.

The court concluded that there was a difference between audit and investigation activities. They stated that, where the predominant purpose of an inquiry is the determination of penal liability, CCRA officials must relinquish the authority to use their inspection and requirement powers. Officials "cross the Rubicon" or the "bright line" when the inquiry engages the adversarial relationship between the taxpayer and the state. The court also stated that the factors could have application to other provincial or federal government departments or agencies; however, in applying these factors, the particular structure, function, and organization of the agency must be taken into account¹.

¹ WorkSafeBC Review and Action Plan page 42 & 43

This is Exhibit "M" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
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GPEB – AML WORKING GROUP

Client Due Diligence in BC Casinos

September 15, 2014

Private & Confidential

M MALYSH ASSOCIATES
CONSULTING INC
INVESTIGATIVE & FORENSIC ACCOUNTING

GPEB – AML WORKING GROUP

Client Due Diligence in BC Casinos

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TERMINOLOGIES USED	AML	Anti-money laundering
	BMP	Best Management Practices
	Cash	Bank notes
	CDD	Client Due Diligence
	CO	Compliance Officer
	DTI	Deposit-taking Institution
	EDD	Enhanced Due Diligence
	EFT	Electronic Funds Transfer
	FATF	Financial Action Task Force
	FinCEN	Financial Crimes Enforcement Network
	FinTRAC	Financial Transaction and Reports Analysis Centre of Canada
	Fx	Foreign exchange
	GPEB	Gaming Policy & Enforcement Branch
	IIROC	Investment Industry Regulatory Organization of Canada
	LCTR	Large Cash Transaction Report
	MSB	Money Service Business
	OSFI	Office of the Superintendent of Financial Institutions

PCMLTFA	Proceeds of Crime (Money Laundering) and Terrorist Financing Act and its accompanying Regulations
STR	Suspicious Transactions Report

GPEB – AML WORKING GROUP

Client Due Diligence in BC Casinos

1.0 INTRODUCTION

**1.1 Retainer of
Malys
Associates
Consulting Inc**

Our firm was engaged by the Gaming Policy Enforcement Branch – AML Working Group to provide research of client due diligence standards used by financial institutions and other businesses when accepting cash deposits.

**1.2 Terms of
Engagement**

We were asked to develop information relating to the management practices used by deposit-taking institutions, money service businesses, brokerage firms and gaming businesses for cash deposit transactions.

Our report summarizes best practices based upon experiences of businesses that are required to maintain an AML compliance regime under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act and its Regulations*.

Additionally, we are to report on other AML compliance issues that we may encounter during our research to assist GPEB with conducting a gap analysis of their AML policies.

**1.3 Scope of This
Report &
Restriction
on Its Use**

This report is not intended for general circulation or publication. It is not intended to be reproduced or used for any purpose without our written permission in each specific instance. We do not assume any responsibility or liability for losses occasioned by any party as a result of the circulation, publication, reproduction or use of this report contrary to the provisions of this paragraph.

This report is based on review of the documents as described in Section 1.4. In the event that further documents or other

information becomes available that could impact our findings, we reserve the right to review such records and reconsider and amend the findings set out in this report.

1.4 Documents Referenced

During the course of our research, we referred to various documents. These documents include:

- The Proceeds of Crime (Money Laundering) and Terrorist Financing Act and its Regulations ("PCMLTFA"), Revised Federal Statute of Canada
- FinTRAC Guidelines, 1 through 9, for Casinos, Money Service Businesses, Foreign Exchange Dealers and other businesses
- Action Plan to Review AML Measures at BC Gaming Facilities, GPEB, August 22, 2011
- Audit & Compliance Division 5 Year Audit Plan, GPEB, June 24, 2013
- Key Regulatory Responsibilities of GPEB and Their Application to the British Columbia Lottery Corporation, GPEB, March 25, 2008
- Roles and Responsibilities of Participants in British Columbia's Gaming Industry, GPEB, February 22, 2010
- Summary Review AML Measures at BC Gaming Facilities, Province of British Columbia, February 2011
- Follow the Money: Is Canada Making Progress in Combatting Money Laundering and Terrorist Financing? Not Really, Report of the Standing Senate Committee on Banking Trade and Commerce, March 2013
- Guideline for Detecting and Deterring Money Laundering & Terrorist Financing, OSFI, March 2008

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- AML Compliance Guideline, IIROC, October 2010
 - Vulnerabilities of Casinos & Gaming Sector, Asia Pacific Group, FATF, March 2009
 - Prevention of Money Laundering in Macau Casinos, Jorge Godinho, Gaming Law Review and Economics, Volume 17 Number 4, 2013
 - Remarks of FinCEN Director, Bank Secrecy Conference, American Gaming Association & UNLV International Gaming Institute, June 12, 2014
 - Suspicious Activity Reporting in the Gaming Industry, FinCEN, March 2012

1.5 Sources of Information

During the course of our research, we interviewed people employed in AML compliance functions at various businesses. Participation in discussions on industry practices was secured on a 'no-name basis. Therefore, we generically provide a list of these confidential sources.

Information Source	Description
GPEB AML Working Group	Executive Directors of Audit, Investigation, Registration & Risk
BC Lottery Corporation	VP Corporate Security & Compliance, Manager AML & Operational Analytics Unit
Deposit Taking Institutions	AML Compliance Officers of Schedule I and II Banks & AML Compliance Officers of BC Credit Unions

Information Source	Description
Gaming Corporations	AML Compliance Officers of corporations who operate casinos in Canada and USA
Money Service Businesses & FX Dealers	AML compliance officers of MSB's in Canada and USA

1.6 Research Work Plan

Our work plan consisted of identifying potential sources of information, conducting interviews, and reviewing research papers relating to policy, procedures and management practices for client due diligence and the acceptance of cash.

We compiled written material from open sources and utilized our network of business contacts to solicit participation in our survey of AML compliance practices.

Survey questions were developed to generate discussion and determine the procedures adopted by businesses to manage client risk.

The high-lites of our research are summarized by participant categories of deposit taking institutions, money service businesses, gaming businesses and gaming regulators.

2.0 BACKGROUND INFORMATION

2.1 Suppression of ML

Since 1988, the Government of Canada has continually supported international efforts in the suppression of money laundering and terrorist financing activities. Using the FATF recommendations, Canada has developed its AML laws and regulations.

These laws protect the integrity of Canada's financial systems.

2.2 FIU Responsibility

The AML laws establish a financial intelligence unit, FinTRAC, to analyze financial transactions.

2.3 Police Responsibility

Using FinTRAC's technical analysis, the police will investigate suspected money laundering cases as well as other criminal offenses.

Unfortunately, the RCMP Proceeds of Crime Section responsible for investigating FinTRAC referrals has been disbanded. The RCMP has re-organized their federal resources and investigation sections. Money laundering investigations are now investigated by the Federal Organized Crime Section and are only a part of the larger criminal enterprise crime investigations.

FinTRAC referrals are now being sent to the local police agency where the suspected ML offense(s) have occurred. Usually, the local investigators do not have experience investigating ML offenses. According to our source, very little direct money laundering investigative cases are being undertaken by local police. However, FinTRAC referral reports are being used to further other criminal investigations.

2.4 Businesses & Compliance Regimes

Financial sector businesses and other designated businesses, such as casinos, provide reports of financial transactions to FinTRAC.

Businesses must maintain an AML compliance regime to deter ML and to ensure transactions are reported to FinTRAC. Further, these compliance programs are designed to mitigate the risks of MF/TF. Businesses are expected to know their clients and not transact with people or business entities who are attempting to launder the proceeds of crime.

Businesses do not have the resources or expertise to actually prove money laundering. They can only observe clients' behavior to determine whether a transaction is suspicious. Businesses use "indicators" of client behavior to form their suspicions. FinTRAC provides examples of these indicators in their AML Regulation Guidelines.

Businesses are required to report suspicious transactions to FinTRAC. The STR is filed after the client has left the business premise. Further, clients must not be informed or "tipped-off" that the STR is being filed.

But in order to obtain information for the STR which FinTRAC needs for analysis, businesses usually conduct the financial transaction in all but the most glaring circumstances.

It is not the role of business to prove money laundering as "indicators" are not evidence of ML. Their role is to identify and report suspicious transactions.

It is the role of FinTRAC and the police to examine the matter further and determine the link to ML/TF activities.

Businesses have legal obligations to not facilitate ML knowingly or by being willfully blind. If clients are too high a risk, financial institutions and businesses will exit the client relationship. In

2.5 Money Laundering Issues

practice, transactions will be completed until a behavior pattern is established that exceeds the risk tolerance set by the business.

The purpose of ML is to disguise the source of funds and conceal the ownership of funds. The goal is to make "dirty" money appear "clean". It never really gets clean – it just looks that way.

In our financial system, extensive records are maintained to document transactions and financial activity. Being constrained by the laws that govern the operation of the financial system, the money launderer must make concessions to the system while limiting his exposure and vulnerability to detection.

In fact, AML laws are written for the purpose of creating a paper trail for cash (bank notes) transactions.

From an investigative viewpoint, having verifiable and traceable monetary instruments is critical to successful ML prosecutions.

ML risks are assessed based upon the 3 phases of money laundering; placement, layering, and integration. ML methods must be understood and considered when formulating risk mitigation controls.

Examples of ML methods include the use of nominees, front people and businesses, or structuring transactions to avoid identification requirements.

The goal of the money laundering method is to avoid creating a paper trail and identifying the people who launder the proceeds of crime.

3.0 DEPOSIT TAKING INSTITUTIONS

Over the past decade, Canada's financial institutions have become increasingly more observant in not only complying with AML legislation but in exceeding the guidelines in order to protect their hard-won reputation as the conservative, dependable backbone of Canada's financial system.

We have summarized AML policies and discussed the management practices generally used by DTI's to mitigate risks for cash deposits and EFT's.

3.1 AML Experience

In countries not as well regulated, some banks have received large fines for non-compliance; however this has not happened in Canada.

Knowing the banks are compliant, FinTRAC will look to other cash handling businesses to ensure the same level of effort is being applied.

Compliance Departments have grown more quickly than any other facet of banking and every new product or system must be first vetted and approved by these new compliance regimes before integration.

New individual banking clients are identified using government issued photo identification documents. Usually, no other formal background verification is conducted.

High net worth, politically exposed, or persons without normal documentation are carefully vetted through the enhanced KYC/CDD processes. Background screening is conducted using databases, such as "Worldcheck", Credit Bureaus and verification inquiries with other financial institutions used by the client.

Business clients require a more thorough review prior to acceptance. Often, businesses with even the slightest connection to drug activity [REDACTED]

[REDACTED]
[REDACTED] endure close scrutiny of their AML compliance programs to ensure their client's bone fides are verified and present an acceptable risk to the DTI.

Mandatory on-line AML training and testing all line staff and management is delivered regularly in order to ensure consistent application of compliance procedures.

Banks used to allow their clients to deposit large quantities of cash without questioning its source. Since the enactment of AML laws, banks routinely conduct KYC/CDD inquiries to deter ML/TF activities. This includes asking clients the source of funds and making a record of the response. See Section 3.3 for further discussion on DTI practices for accepting cash deposits.

Sophisticated computer systems monitor account activity for unusual patterns. Anything of a suspicious nature is forwarded to Compliance or Corporate Security Departments for review and investigation. The slightest concerns tend to result in the closing of accounts as a proactive defense.

Most DTI's have adopted a policy to exit a client relationship if [REDACTED] Bank AML Compliance Officers will examine the STR narratives, KYC information and account transaction history in their decision-making process.

EFT's from foreign locations are only accepted from banks that are known to have strong AML processes in place, and a correspondent banking relationship has been established. Cheques and other monetary instruments are held until cleared, verified, or the client is well known and able to cover should there be a defect in the instrument.

3.2 AML Compliance Practices

Federally licensed financial institutions are regulated by OSFI. ML/TF guidelines are issued by OSFI to ensure that financial entities develop robust systems and practices.

Likewise at the provincial level, credit unions, trust companies, and other provincially regulated businesses have oversight agencies that issue guidelines to augment the federal AML regulations.

The guidelines of the regulatory organizations are a public record of the commitment of an industry to deter ML/TF activities.

3.3 Cash Acceptance

In our discussions with AML compliance officers of deposit taking institutions, we were advised of the following best practices used to mitigate the risk of cash deposits. We have focused our discussion on the practices used to manage individual accounts to draw some comparisons to the gaming patron.

- a) Using a risk based approach, questions are directed to a potential new client to determine what financial services they will need and the approximate transaction volumes to be anticipated. Based on responses, or lack thereof, decisions are made as to whether to open the account, ask further questions to make a more accurate assessment, or decline the business. A risk based approach enables efforts to be focused on clients, transactions, and payment methods that pose the greatest risk for ML/TF.
- b) When cash over CAD \$10,000 is tendered, a supervisor will interview the client to determine the source of funds and other related questions to ensure the deposit is of non-criminal origin. Some DTFs require the client complete and sign a Source of Funds Declaration, which

is kept in the client account file. If suspicions arise, details are reported to the compliance department via a STR. The client's account is flagged for monitoring

- c) Enhanced due diligence is performed when account transactions do not make sense or conform to original account/client intentions. This includes interviewing the client, assessing their information, verify information from independent sources, and increasing the frequency of account transaction monitoring
- d) New client account opening procedures require the client produce government issued documents that bear the name and photograph of the individual. Accounts KYC forms are completed to record client information relating to various issues, such as resident address, employment and occupation, sources of income etc. High net worth clients are vetted for source of wealth and may be vetted through banker databases. New immigrants may have their financial information verified by the bank from the previous resident country.
- e) A hierarchy of referral and information sharing capability from front line staff to supervisors to head office compliance/security departments is established as part of the compliance culture. The account manager who brought the client onboard is responsible for making decisions to close the account based upon CDD information obtained from all sources within the DTI and advice from AML CO's.
- f) A graduated level of AML training is used as not everyone needs to be trained alike. Frontline staff require the knowledge to identify large or unusual/suspicious transactions and report them. Supervisors and account management personnel must be familiar with due diligence protocols and have the ability

to ask questions without offending the client. Head Office departments become more specialized in performing enhanced CDD and enter into relationships with regulators, police or other bank investigative sections to ensure business is conducted with legitimate clients handling legitimate funds.

Knowing the source of funds is helpful in that it makes up a component of the risk matrix evaluation. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED] The client's story must be verifiable and make economic sense to be believable.

While there is data that certain nationalities deal in cash more than others, they still must have the personal resources to account for it and answer questions relating to the source of funds to substantiate large cash deposits.

3.4 Electronic Funds Transfers

International EFT's are risky in that it is difficult to confirm the source of the funds being wired in.

Financial Institutions have developed trusted relationships with certain foreign banks – a correspondent banking relationship – and rely on these entities to conduct the same level of due diligence as done in Canada.

All international EFT's over CAD \$10,000 are reported to FINTRAC.

Banks will monitor EFT activity carefully. Transaction value thresholds are established to focus attention on higher risk transactions and to reduce compliance and surveillance costs.

3.5 Comment

Banks have an advantage over other businesses, such as casinos, as businesses cannot form these “banking” relationships that are key to client information sharing.

Businesses can leverage their banking partner’s relationships with other banks to provide a safe harbor for international EFT’s. While the funds may have come from a foreign jurisdiction, they have come through a trusted correspondent bank.

A prudent business practice is to only conduct EFT’s between domestic banks.

Banks do not hesitate to interview clients and demand economic reasons for any transaction. The results of the inquiries are documented in the client file.

Client risk is assessed based upon a risk matrix for various ML indicators. Conducting transactions, such as depositing cash, is only 1 of the ML risks, which may or may not affect the risk profile of the client.

Transactions are monitored and assessed against the stated purpose and intent of the client maintaining a bank account.

Banks will close out client accounts if sufficient and appropriate evidence indicates the risk is too great for the bank to continue the relationship.

4.0 BROKERAGE FIRMS Brokerage firms are unique in that they are heavily regulated by provincial statutes and by the rules of IIROC. Their rules for KYC and CDD activities are onerous.

AML compliance is another layer in their management and practices of KYC programs.

4.1 AML Experience In general, brokerage firms react to AML risk similar to banks. Their reputation for honesty and integrity is paramount to establish client trust.

As such, most firms do not want connections to clients who may be using their firm to conceal assets derived from ML/TF activity. A brokerage firm's ML risk is focused on the layering and integration phases.

4.2 Cash Acceptance Most brokerage firms do not accept cash for deposit into client accounts. They do not want the ML/TF risk associated with cash.

Deposits to client accounts are made using other monetary instruments. For individual accounts, cheques and EFTs are the norm.

4.3 Electronic Funds Transfers Rules vary for EFTs depending upon the client. Institutional clients have different rules than corporate and individual clients. The risk matrix is complex depending upon client net worth and market-knowledge sophistication.

For individuals, most brokerage firms will accept EFTs from domestic banks that are drawn on the client's personal bank account. There are exceptions for very wealthy clients depending upon the KYC/CDD inquiries that have been documented prior to the trade/transaction.

Each firm establishes its own risk tolerance for payment and settlement, in concert with their banking partners, to accept or reject international EFTs. Firms rely on the KYC program to assess client risk.

4.4 Comment

Brokerage firms are in a unique position. Their rules for KYC are extensive. Account managers continually interact with clients, discuss personal financial affairs and record results of discussions in the client file.

Their CDD is documented to protect the firm and broker(s) from any transaction liability, such as knowing their client's knowledge of markets or financial products, investor sophistication and investment risk tolerance, client's wealth and source of income, and client investment objectives.

5.0 MONEY SERVICE BUSINESSES

MSB's typically provide two types of services; currency/foreign exchange and remittance payments. Payment and settlement of the transaction is conducted either by cash or other monetary instruments.

In Canada, MSB's are required to maintain an AML compliance regime under the PCMLTFA. As such, the CDD and risk assessment practices are an integral part of their business operations.

Note: Currency exchange describes the buying and selling of bank notes, while Fx describes the buying and selling of foreign currencies using other monetary instruments (cheques, drafts, EFT) for payment and settlement.

MSB's have a bad reputation with banks because in the past, many engaged in ML. As a result, banks are hesitant to provide service for any but the very best AML compliant businesses.

Regular auditing of their AML compliance regimes and targeted questioning of EFT activity is the norm. Such a reputation is difficult to overcome and this exemplifies the need of the MSB to have a robust and strict compliance program.

Our discussion is based upon the BMP's generally followed by reputable MSB's.

5.1 Cash Acceptance

MSB's who provide currency exchange services transact almost exclusively in cash, as cash is the most used instrument of exchange.

The ML risk is that cash is anonymous. As such, AML regulations require currency exchange transactions greater than CAD \$3,000 to record client identification. Transactions greater than CAD \$10,000 require a report to FinTRAC.

Money launderers will avoid transactions where they have to identify themselves, or they will use nominees, also known as smurfs.

The compliance requirements to monitor transactions and risk assess clients has increased significantly since the February 2014 amendments came into force. Most MSB's had been performing this type of CDD work prior to the new regulations. KYC programs were established to satisfy the banks' maintenance rules for operating their bank accounts.

MSB's generally do not have an issue accepting cash in a transaction providing the client cooperates with the CDD inquiries and identification rules. If a client exhibits some 'red flag' indicators for ML risk, a Suspicious Transaction Report will be filed with FinTRAC. Some MSBs require the client to complete and sign a Source of Funds Declaration, which is kept on the client file.

Once an STR is filed, the client risk profile will be elevated for enhanced DD. The next time the client transacts, the MSB will interview the client to determine their ML risk. Judgments will be made by the AML compliance officer as to whether the MSB will continue with the client relationship. [REDACTED]

[REDACTED]

[REDACTED]

Some MSB's adopt a business model where they will not accept cash as payment for Fx. Their risk focus is on the layering and integration ML phases to assess client risk.

Effective KYC/CDD programs include 3rd party relationships and nominees to expand and mitigate ML risks, adding an additional level of complexity to CDD processes.

5.2 Electronic Funds Transfers

MSB's who focus on being a payments company use EFT's to settle transactions. EFT services are offered in conjunction with a Fx transaction.

The CDD practices used to mitigate ML risk center around the economic purpose of each transaction. KYC interviews are conducted to obtain stated purposes, values, and frequencies of transactions. This information is then compared to actual transaction history. Any changes in behavior will result in enhanced CDD being conducted. The MSB may ask the client to produce 3rd party documentation to support the need for Fx/EFT transactions. Further, the sender or ultimate beneficiary of the transaction will be identified and verified.

Any remittance transaction greater than CAD \$1,000 requires the identification of the client. International EFT's greater than CAD \$10,000 require a report to FinTRAC. The information reported to FinTRAC is extensive as the original sender, intermediaries and ultimate beneficiaries must be recorded and reported.

5.3 Comment

Prior to the new February 2014 regulations, client transaction monitoring was not mandatory. Established MSB's did have account monitoring firmly established to provide assurances to their banking partners that they were mitigating ML/TF risks.

Individual account KYC/CDD practices consist of recording the identification documents used to verify client identity. Source of wealth, source of funds inquiries are conducted when transaction values and frequency of transactions change, thus elevating the client risk.

The new regulations have increased the compliance requirements for client risk management. EDD procedures to maintain higher-risk client accounts will require increased client interviews and more frequent transaction monitoring.

Like banks, once a client account relationship is established, MSBs will conduct all transactions unless the behavior pattern of the individual is glaringly and suspiciously "indicating" ML.

6.0 GAMING BUSINESSES

We surveyed AML compliance officers of casinos in Canada, Nevada, and Washington State. Some of the Nevada companies also had casino/resort operations in other countries.

There is a general acknowledgment that AML risk assessments of "VIP" clients have increased significantly over the last 5 years. The current US ML issue is to conduct CDD for determining source of wealth and source of funds.

Since September 2013, the Director of FinCEN has publicly stated that casinos need to do more CDD and track clients gaming transactions to monitor for ML activities.

In Ontario, casino operations have entered into a contractual relationship with the Ontario Provincial Police. The Chief Superintendent in charge reports to the OPP Deputy Commissioner of Investigations and Organized Crime for criminal matters and to the Registrar of Alcohol and Gaming (AGCO) on regulatory matters.

They work closely to devise strategies and policies to combat ML that are effective and viable from a resourcing perspective taking into account the unique nature of the industry.

From a practical perspective, a Police Inspector acts as the Director of the Gaming and Enforcement Branch and police officers are fully integrated into the AGCO . The Inspector is responsible for the Casino Enforcement Unit, the Corporate Investigations Unit, the Internet Gaming Unit and the Gaming Specialist Unit. The focus of their AML activity centres around the Casino Enforcement Units who provide 24/7 policing services to gaming venues. They are first responders to any criminal activity within each site and deal with any other offences that affect the integrity of the industry, or its stakeholders.

They also perform an intelligence role and share information quickly via their on-site personnel who are responsible for interviewing clients referred by the cash cage operators when large or suspicious cash is presented for deposit.

6.1 Cash Acceptance

Casinos generally do not have an issue with accepting cash from clients. US-AML COs reported that they do not place limits on the amount of cash that can be used for buy-in.

Their reasoning is that their KYC/CDD procedures provide the risk mitigation strategies to identify and confirm the individual as a legitimate gaming player. They also utilize investigative resources to research clients that pose higher risk.

Source of funds and source of wealth interviews are becoming normal procedures as FinCEN is developing policy initiatives to increase the KYC/CDD activities. But this policy is in its infancy and will take a few more years to be fully implemented industry wide.

Casinos in Ontario generally will not allow more than CAD \$10,000 – 15,000 cash/in. These large deposits trigger a CDD interview to learn the source of funds. This interview is usually conducted by the OPP police officer.

However, there are thresholds that trigger managers and concierge to identify and interview those clients. The threshold amount is based upon the risk tolerance for backing bets. Some casinos have thresholds starting at \$10,000 buy-ins while other set thresholds at \$100,000. CDD procedures are focused on betting patterns and betting amounts.

US AML CO's reported that compliance resources are focused on approximately 15% of the total client base for enhanced CDD. Statistically, the top 15% clients account for the majority of gaming revenue.

VIP clients are risk rated based upon the ease with which client information can be independently verified. In some cases, private investigators will be hired to conduct verification work, particularly if the client is not a US resident.

Cash/out policies generally set procedures for how disbursements are paid. Most casinos follow a policy of using the same instrument for cash/out as used for cash/in.

Some casinos will set maximums on the amount of cash returned with the remaining balance by cheque. The casinos want verifiable and traceable instruments to help law enforcement in ML investigations.

6.2 Electronic Funds Transfers

There is not a general consensus on the use of EFT's to fund player accounts.

Some casinos will allow international EFT's as well as domestic. Others will only accept domestic EFT. However, this may change depending upon future guidelines from FinCEN relating to CDD and client risk procedures. US-AML Co's reported that most casinos eventually will adopt a domestic only EFT to fund player accounts. Corporations who operate casino/resorts in other jurisdictions (domestic or international) reported that they will not allow inter-company transfers of player funds between casinos.

6.3 Best Management Practices

The industry standards used as BMPs are summarized as follows:

- AML compliance officers must be qualified and experienced. They must have direct reporting to the corporation CEO and to the corporate audit committee
- A compliance culture must be developed through all levels of casino staff. Line staff and managers must work cooperatively with surveillance and compliance staff

-
- Top 10 – 15% of revenue generating clients receive the most CDD. All clients in this category are interviewed by trained staff to determine source of wealth and source of funds. Client risk is based upon the ability to verify information.
 - KYC/CDD interviews are conducted based upon triggering thresholds of buy-ins. The threshold is determined by statistical analysis of buy-in and bets per hand at each casino
 - All clients who are identified either by loyalty reward programs or concierge services at minimum are background checked through a commercial database, such as Worldcheck
 - Information sharing arrangements with local police agencies are established to identify known criminal gang members and affiliates. Casinos do not want these associates on their premises
 - Clients who come from Asia-Pacific countries, especially PRC, are automatically classed as high-risk and require EDD
 - Player funded accounts are used to prevent loan-sharking. Players can only pay where they play and with funds on deposit or funds available through pre-approved credit lines
 - Cash/outs should mirror the cash/in instrument, ie, banknote to banknote, cheque to cheque, EFT to EFT etc.
 - Client wanting cash/out in cash are limited to 10% of cash/in or player account balance to a pre-set maximum. The remainder is paid by cheque or EFT to client's personal domestic account. This creates a traceable paper trail for investigation purposes. The returned cancelled cheque is investigated to verify bank account used to deposit the cheque

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- Do not allow any bank-like transactions, such as transferring funds direct from off-shore accounts to casino bank accounts or vice versa, or allowing chip churning to occur without intervention interview by AML CO
 - EFTs are conducted from/to accounts held by domestic financial institutions. The account must be in the name of the client

6.4 Law Enforcement Partnerships

CO's reported that having police partnerships greatly assist with deterring criminal activities within the gaming industry including ML.

Some of the areas of police assistance specifically stated include:

- Sharing of information related to criminal gangs, their members and affiliates, and to criminal activity directed at the casino including ML
- Interdicting 'undesirable' persons and supporting local security personnel to evict potentially violent persons
- Providing a level of security for public safety in and around the casino
- Investigating and prosecuting criminal offenses directly related to gaming

7.0 GPEB

We were asked to comment on any gaps that we encountered that may assist GPEB in its role as regulator of the gaming industry.

7.1 AML Guidelines

We believe that GPEB could greatly enhance its leadership in AML compliance by creating an AML compliance regime regulation under the Gaming Control Act/Regulations. Additionally, a companion Guideline for Deterring and Detecting Money Laundering should be implemented to establish the policy expectations of the new regulation. Alternatively, a Public Interest Directive could be issued to establish GPEB's AML program.

The intention is to direct gaming industry businesses in their responsibility to develop and maintain robust AML compliance programs that meet GPEB's governance and control expectations.

The Guideline is not to replace the federal guidelines published by FinTRAC nor create any new requirements under federal legislation.

They are to establish the "tone at the top" and provide industry specific policy for AML compliance expectations.

As an example, if GPEB wants specific policy for the determination of source of funds, the policy expectation can be specified in the Guideline. Gaming businesses can determine the procedures required to comply with policy.

7.2 Intelligence & Analytical Unit

GPEB currently does not have resources dedicated to criminal intelligence and crime analysis relating to the gaming industry.

Further, the province does not have dedicated police officers responsible for gaming related investigations and prosecutions.

GPEB should consider establishing a police-accredited unit to provide policing services for the gaming industry, including but not limited to:

- criminal intelligence and risk analysis
- investigations and prosecutions
- liaison with police departments in communities that host casinos
- information sharing program between GPEB, the BC police community, FinTRAC and other law enforcement agencies
- assist GPEB's Special Provincial Constables with conducting intelligence inquiries
- annual reporting to GPEB executive on the overall risks to gaming
- subject-matter experts in gaming industry related issues

MALYSH ASSOCIATES CONSULTING INC

Jerome P Malysh

Per: Jerome Malysh, CPA CGA, CFE
Principal

**SUBJECT MATTER
EXPERTISE**

Jerome Malysh and John Paterson conducted the research for this report. Our bios are as follows:

John Paterson – in his 25 year professional banking career, he held senior management positions in Corporate Security and Compliance for HSBC Canada and for CIBC. He was responsible to develop the banks' AML compliance programs during the formative years of Canada's ML/TF legislation. He developed and wrote the AML policies, and trained employees in AML compliance and risk management. Following retirement from HSBC, John provides AML consulting services to the financial services industry. Prior to his banking career, John was a member of the RCMP in British Columbia specializing in economic crime investigations and drug enforcement.

Jerome Malysh, CPA CGA CFE – developed his money laundering expertise during his 20 year career in the RCMP Proceeds of Crime Section. Since retirement from the Force in 2000, he has built a risk management consulting practice helping financial service businesses develop their AML compliance programs. Jerome has provided AML consulting services to businesses in Canada, USA, Australia and New Zealand. Representative assignments consist of technical writing of AML policy and procedures, developing internal control and audit programs, assessing ML/TF risks and building mitigation strategies, training line staff and management in AML compliance, and conducting statutory reviews of AML compliance regimes. He has provided expert witness testimony in money laundering in the Supreme Court of British Columbia.

Private & Confidential

September 15, 2014

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Appendix H

This is Exhibit "N" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1



341046

Bud Smith, Chair
Board of Directors
British Columbia Lottery Corporation
2940 Virtual Way
Vancouver BC V5M 0A6

Dear Mr. Smith

Re: 2015/16 Mandate Letter

British Columbians have come to expect the high quality products and services delivered by their provincial public sector organizations. The Province is well served by our public sector organizations. It is the responsibility of the boards and senior management teams of these organizations to lead and manage in the best interests of the Province and the taxpayer by strengthening accountability and promoting cost control.

One of government's core values is respect for the taxpayer's dollar. It is critical that public sector organizations operate as efficiently as possible, in order to ensure British Columbians are provided with services at the lowest cost possible. This requires constant focus on maintaining a cost-conscious and principled culture through the efficient delivery of services that stand the test of public scrutiny and help develop a prosperous economy in an environmentally sustainable manner. The foundation of this work is the government's commitment to controlling spending and balancing the budget.

The British Columbia Lottery Corporation (BCLC) is directed to take the following specific strategic priority actions for 2015/16:

1. BCLC will implement action items that pertain to the Corporation as part of government initiatives in the areas of health prevention, protection and research to address problem gambling. These action items and their timelines for implementation are being developed by government in consultation with BCLC taking into consideration the Provinces' 2014 Problem Gambling Prevalence Study, the 2013 Public Health Officer's (PHO) Report, entitled *Lowering the Stakes: A Public Health Approach to Gambling in British Columbia*, as well as other research on problem gambling in youth and problem gambling treatment programs.

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2. The Gaming Policy and Enforcement Branch (GPEB) and BCLC will jointly develop key principles that will inform respective roles and responsibilities. These principles will outline expectations, obligations, and related business impacts to provide role clarity and maximize accountability. These principles will be devised by June 30, 2015, and implemented by December 31, 2015.
3. Optimize the Corporation's financial performance, in accordance with government policy and directives under the *Gaming Control Act* and Treasury Board direction. BCLC will sustain the organizations net return to the province, by responding to customer and marketplace demands for products and services and seeking new revenue opportunities that are consistent with the approved framework. Consistent with previous direction the corporation will present Treasury Board with a detailed business case for casino optimization by November 30, 2014, and a detailed business case and risk assessment for business optimization by February 28, 2015.
4. At the conclusion of the Crown Review BCLC, the Corporation will work to address, as appropriate, the recommendations made by Internal Audit & Advisory Services.
5. As part of the Corporation's continued mandate, BCLC will use information provided by law enforcement to create actions and solutions to prevent money laundering in BC gaming facilities. GPEB will develop anti-money laundering standards, to which BCLC will respond. Additionally, BCLC will identify and implement strategies to increase the use of cash alternatives and measure and demonstrate this progress.

These specific strategic priority actions and the Taxpayer Accountability Principles actions are to be included and integrated in your 2015/16-17/18 Service Plan.

As part of the commitment to fiscal responsibility and to ensure the best possible use of government resources, provincial public sector organizations now operate under the Taxpayer Accountability Principles (attached) announced by Premier Christy Clark in June 2014. Through the implementation of Taxpayer Accountability Principles, leadership teams in public sector organizations are leading a change to a cost-conscious public sector that strengthens cost management capabilities and fosters a principled culture of efficiency and accountability at all levels. This leadership includes implementing your organization's Code of Conduct which contains conflict of interest provisions and post-employment restrictions.

BCLC is expected to fully adopt the Taxpayer Accountability Principles – cost consciousness (efficiency), accountability, appropriate compensation, service, respect and integrity. The actions, as detailed in the 2014 Transition Letter, are to be completely implemented in 2015/16. For further information on the Taxpayer Accountability Principles, please see, <http://gov.bc.ca/crownaccountabilities>.

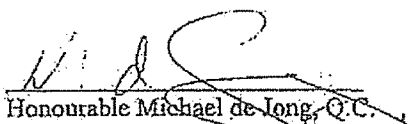
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To support the implementation of the Taxpayer Accountability Principles, please ensure all board members sign this 2015/16 mandate letter and the signed letter is posted publicly on your organization's website.

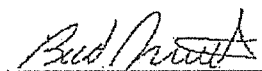
Government is committed to further strengthening accountability, improving the management of public funds and revitalizing the relationship between government and public sector organizations. This strong focus on improved two-way communication is to support and ensure a complete understanding of government directions, expectations, accountabilities and alignment with strategic priorities. As such, it is important that each of us advise the other in a timely manner of any issues that may materially affect the business of BCLC and/or the interests of government, including information on any risks to achieving financial forecasts and performance targets.

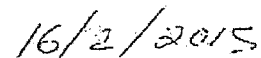
I look forward to our regular quarterly meetings that focus on strategic priorities, performance against the Taxpayer Accountability Principles, results and working together to protect the public interest at all times.


 Honourable Michael de Jong, Q.C.
 Minister of Finance

Date: FEB 05 2015

Signed By:


 Bud Smith, Chair
 British Columbia Lottery Corporation


 Date

 Arthur H. Willms, Vice-Chair
 Board of Directors
 British Columbia Lottery Corporation

 Date

 Christina Anthony, Director
 British Columbia Lottery Corporation

 Date

- 3 -

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I look forward to our regular quarterly meetings that focus on strategic priorities, performance against the Taxpayer Accountability Principles, results and working together to protect the public interest at all times.

Honourable Michael de Jong, Q.C.
Minister of Finance

Date: FEB 05 2015

Signed By:

Bud Smith, Chair
British Columbia Lottery Corporation

Date

Arthur H. Willms, Vice-Chair
Board of Directors
British Columbia Lottery Corporation

Date

Christina Anthony, Director
British Columbia Lottery Corporation

Date

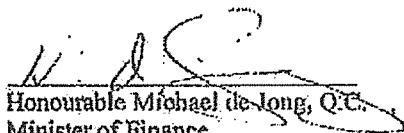
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- 3 -

To support the implementation of the Taxpayer Accountability Principles, please ensure all board members sign this 2015/16 mandate letter and the signed letter is posted publicly on your organization's website.

Government is committed to further strengthening accountability, improving the management of public funds and revitalizing the relationship between government and public sector organizations. This strong focus on improved two-way communication is to support and ensure a complete understanding of government directions, expectations, accountabilities and alignment with strategic priorities. As such, it is important that each of us advise the other in a timely manner of any issues that may materially affect the business of BCLC and/or the interests of government, including information on any risks to achieving financial forecasts and performance targets.

I look forward to our regular quarterly meetings that focus on strategic priorities, performance against the Taxpayer Accountability Principles, results and working together to protect the public interest at all times.



Honourable Michael de Jong, Q.C.
Minister of Finance

Date: FEB 05 2015

Signed By:

Bud Smith, Chair
British Columbia Lottery Corporation

Date

Arthur H. Willms, Vice-Chair
Board of Directors
British Columbia Lottery Corporation

Date



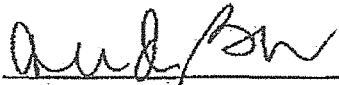
Christina Anthony, Director
British Columbia Lottery Corporation

Feb 16, 2015

Date

.../4

- 4 -



Trudi Brown, Director
British Columbia Lottery Corporation

Feb 13/15

Date

David W. Gillespie, Director
British Columbia Lottery Corporation

Date

Robert Holden, Director
British Columbia Lottery Corporation

Date

Moray Keith, Director
British Columbia Lottery Corporation

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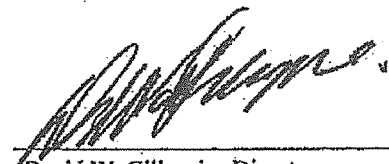
Wendy Lisogar-Cocchia, Director
British Columbia Lottery Corporation

Date

.../5

- 4 -

Trudi Brown, Director
British Columbia Lottery Corporation



David W. Gillespie, Director
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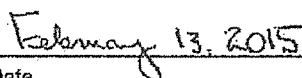
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British Columbia Lottery Corporation

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Robert Holden, Director
British Columbia Lottery Corporation



Date

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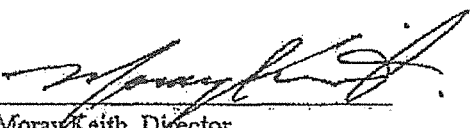
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Wendy Lisog-Cocchia, Director
British Columbia Lottery Corporation

Feb 13/2015
Date

.../5

- 5 -

cc: Honourable Christy Clark
Premier

John Dyble
Deputy Minister to the Premier and Cabinet Secretary

Peter Milburn
Deputy Minister and Secretary to Treasury Board
Ministry of Finance

Cheryl Wenezenki-Yolland
Associate Deputy Minister
Ministry of Finance

Bud Smith, Chair,
Arthur Wilms, Board Member
Trudi Brown, Board Member
David Gillespie, Board Member
Robert Holden, Board Member
Wendy Lisogar-Cocchia, Board Member
Moray Keith, Board Member
British Columbia Lottery Corporation

Jim Lightbody A/Chief Executive Officer
British Columbia Lottery Corporation

Attachment: Taxpayer Accountability Principles

B.C. Taxpayer Accountability Principles

Further information available at: <http://gov.bc.ca/crownaccountabilities>

Cost Consciousness (Efficiency)	Strengthen cost management capabilities and foster a culture of cost-consciousness at all levels of public sector organizations. Provide public services and programs as efficiently and effectively as possible to "bend the cost curve" and support sustainable public policies and programs as a lasting legacy for generations to come.
Accountability	Transparently manage responsibilities according to a set of common public sector principles in the best interest of the citizens of the province. By enhancing organizational efficiency and effectiveness in the planning, reporting and decision making, public sector organizations will ensure actions are aligned with government's strategic mandate.
Appropriate Compensation	Comply with a rigorous, standardized approach to performance management and employee compensation, which reflects appropriate compensation for work across the public sector that is consistent with government's taxpayer accountability principles and respectful of the taxpayer.
Service	Maintain a clear focus on positive outcomes for citizens of British Columbia by delivering cost-efficient, effective, value-for-money public services and programs.
Respect	Engage in equitable, compassionate, respectful and effective communications that ensure all parties are properly informed or consulted on actions, decisions and public communications in a timely manner. Proactively collaborate in a spirit of partnership that respects the use of taxpayers' monies.
Integrity	Make decisions and take actions that are transparent, ethical and free from conflict of interest. Require the establishment of a strong ethical code of conduct for all employees and executives. Serve the citizens of British Columbia by respecting the shared public trust and acting in accordance with the taxpayer accountability principles.

This is Exhibit "O" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1

**Ministry of Finance
Gaming Policy and Enforcement Branch**

BRIEFING DOCUMENT

To: Honourable Michael de Jong, Q.C.
Minister of Finance

Date Requested: May 14, 2015

Date Required: May 15, 2015

Initiated by: John Mazure, ADM
Gaming Policy & Enforcement Branch

Date Prepared: May 14, 2015

Ministry Contact: Len Meilleur
Executive Director
Compliance Division
Gaming Policy & Enforcement Branch

Phone Number:

Email

343865

TITLE: June 4 2015 Anti-Money Laundering Workshop
"Exploring Common Ground, Building Solutions"

(X) FOR INFORMATION

Executive Director approval: _____

ADM approval: _____

Associate DM approval: _____

DATE PREPARED: May 14, 2015

TITLE: June 4 2015 Anti-Money Laundering Workshop
"Exploring Common Ground – Building Solutions"

ISSUE:

The Compliance Division of the Gaming Policy Enforcement Branch in (GPEB) in cooperation with the BC Lottery Corporation (BCLC) is hosting a workshop with subject matter experts and stakeholders on June 4, 2014, in Vancouver at the BCLC office.

The purpose of the workshop is to bring together individuals with expertise and background in money-laundering prevention and compliance to identify and explore collaborative strategies to enhance practices in BC gaming facilities.

This workshop is part of Phase 3 of the 2011 Anti-Money Laundering (AML) Strategy.

BACKGROUND:

- In 2011, government implemented an AML Strategy that focuses on minimizing the opportunity for money laundering. Phase 1 of the strategy involved the development and implementation of cash alternatives (substantially complete) and Phase 2 involved intervention by service providers to encourage use of cash alternatives by patrons. Phase 3 involves regulator guidance and where necessary intervention regarding customer due diligence.
- As part of Phase 1 and 2 of that strategy a number of improvements have been made including:
 - Patron gaming fund accounts allowing casino customers to transfer money from regulated banks and credit unions or add funds to their account via certified cheques, bank drafts, internet transfers, or verified win cheques;
 - The ability to electronically transfer money into patron gaming fund accounts through Canadian and U.S. chartered banks;
 - Customer convenience cheques clearly marked as verified win or as a "return of funds that are not gaming winnings";
 - A "cheque hold" system for high-volume players where players can secure play against a personal cheque from an approved bank that will not be processed by a casino until an agreed upon period of time and any winnings or remaining funds are paid back to the player by casino cheque;
 - Debit withdrawals at the "cash cage"; and
 - ATM withdrawals inside gaming facilities.

- BCLC has also enhanced its AML policies and procedures, staff training and investigation and security and surveillance capacity and is developing new business intelligence software to identify and monitor high-risk patrons and activities.

DISCUSSION:

- Under Phase 3 of the AML Strategy, GPEB is investigating options for AML compliance, customer due diligence and regulatory intervention.
- In 2014 GPEB commissioned Malysh Associates Ltd. to research customer due diligence standards used by financial institutions and other businesses when accepting cash deposits. The September 2014 report summarizes best practices based on experiences of businesses required to maintain an AML compliance regime and other AML compliance issues identified in the research.
- On June 4, 2015, GPEB in cooperation with BCLC is hosting a workshop of stakeholders and an invitation has been extended to interested parties including representatives from the Financial Transaction and Reporting Analysis Centre of Canada, law enforcement, financial institutions and financial intermediaries, service providers, and provincial and federal government departments.
- The goal of the workshop is to identify strength and weaknesses of the current AML strategy and framework for gaming facilities, increase awareness, and identify and develop possible options and approaches for enhancing AML policies, procedures and practices.
- The findings of the September 2014 Malysh study and the information obtained from the workshop process will be used by the GPEB to complete Phase 3 of the AML Strategy. GPEB will develop recommendations which will be brought forward for the Minister's consideration in order to assist government's strategy in reducing risk concerning money laundering in casinos. This will include collaborative strategies intended to heighten awareness, increase compliance where necessary, reduce risk to the industry and respond to public concern. The recommendations will be provided to the Minister's office by fall 2015.

This is Exhibit "P" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1

Meilleur, Len FIN:EX

From: Meilleur, Len FIN:EX
Sent: Friday, August 28, 2015 10:58 AM
To: Wenezénki-Yolland, Cheryl FIN:EX
Cc: Mazure, John C FIN:EX; Swan, Angela FIN:EX; Yu, Quinn FIN:EX; DeMott, Rachel FIN:EX; Boychuk, Dave FIN:EX; Horricks, David FIN:EX
Subject: RE: Confidential Follow Up to Project Exploring Common Ground

Cheryl:

Thanks for the call:

I will be following up as per your request and doing the following:

1. Searching out the current status of the draft Ministerial Directive and Briefing Note. However that Briefing Note will now morph to a "strategy document." I will review the draft, provide feedback and then have it sent to you;
2. Follow up on the status of BCLC's response to John's Aug 7th letter and send you a copy as soon as it arrives;
3. I have advised Rachel to start a Strategy document in alignment with our Phase 3 of the AML initiative, meaning regulator intervention;
4. I will have Dave Boychuk immediately research the costs and manner in which we could immediately engage a Tier 1 firm to conduct a review of BCLC's CDD framework in conjunction with the activity being reported. This would also include a review of the SCT's by name, activity, # of SCT's filed and whether action was taken to stop the concern, I suggest they would also recommend solutions based on industry standards in both gaming and finance.

This is the Branch priority and I acknowledge that we need to be prepared for the Minister briefing. I appreciate your having reviewed the material and fully understand your categorization of this being of "extremely serious."

Len

J.E.L. (Len) Meilleur
 Executive Director
 Compliance Division
 Gaming Policy Enforcement Branch
 Ministry of Finance
 Location: 3rd Floor, 910 Government Street, Victoria BC V8W 1X3
 Mailing Address: P.O. Box 9309 Stn Prov Govt, Victoria BC V8W 9N1
 Tel [REDACTED] Fax [REDACTED]
 E-mail [REDACTED]
 Website: www.gaming.gov.bc.ca

This communication (both the message and any attachments) is intended for use by the person or persons to whom it is addressed and must not be shared or disseminated unless authorized by law or without the expressed authority of the sender. This communication may contain privileged or confidential information. If you have received this message in error or are not the named recipient, please immediately notify the sender and delete the message from your mailbox and trash without copying or disclosing it.

From: Wenezenki-Yolland, Cheryl FIN:EX
Sent: Friday, August 28, 2015 9:53 AM
To: Meilleur, Len FIN:EX
Cc: Mazure, John C FIN:EX; Swan, Angela FIN:EX; Yu, Quinn FIN:EX
Subject: RE: Confidential Follow Up to Project Exploring Common Ground

Thanks Len, I have asked tammy to get us a call. I reviewed the materials provided last night and have some follow up questions.

In regard to the review you are suggesting – would this be done under your oversight – perhaps as part of your audit program?

Thanks
 Cheryl

From: Meilleur, Len FIN:EX
Sent: Friday, August 28, 2015 8:52 AM
To: Wenezenki-Yolland, Cheryl FIN:EX
Cc: Mazure, John C FIN:EX; Swan, Angela FIN:EX; Yu, Quinn FIN:EX
Subject: RE: Confidential Follow Up to Project Exploring Common Ground

Cheryl:

My apologies the password to the document is - faunder.all lowercase.

In addition I forgot to add the Option of "Cash Alternatives" which BCLC is working on and the notion of credit to customers as discussed.

Len

From: Meilleur, Len FIN:EX
Sent: Friday, August 28, 2015 7:37 AM
To: Wenezenki-Yolland, Cheryl FIN:EX
Cc: Mazure, John C FIN:EX; Swan, Angela FIN:EX; Yu, Quinn FIN:EX
Subject: Confidential Follow Up to Project Exploring Common Ground

Good morning Cheryl.

I hope you are feeling better.

With respect to my briefing yesterday here is the document I provided in the electronic format. It may be easier for you to refer to. This document was compiled from information contained in the Section 86 Reports we receive from BCLC. I forgot to mention that recently BCLC was of the opinion **BCLC - solicitor client privilege** that they should not be sharing those reports with GPEB **solicitor-client privilege**

solicitor-client privilege his alleged activity is suspect and is contrary to the Criminal Code of Canada.

In brief GPEB has responded quickly to this developing issue:

1. ADM J. Mazure upon being briefed of the new information as pertaining to the confidential matter, immediately took action. He advised Deputy Milburn and then issued a letter of expectation to BCLC on four activities he wished pursued. Most importantly his request includes Customer Due Diligence Standards (CDD) constructed around financial industry standards and Know Your Customer focus regarding source of funds.

2. Our policy team is working on the Ministerial Directive package for the ADM and I should have something for you to review by next week.
3. With respect to the other option I provided you yesterday, about an external review. I see the objective of that review being, a measurement as to whether BCLC's CDD regime (a outlined in a the copy of their flow chart which I provided to you in the package) is sufficient to mitigate the risk of both AML and underground or illicit money lending. The key to this is a decision tree triggered by the amount of SCT activity and a decision tree as to whether the Gaming Service Provider should be refusing suspect cash. This review would inform you and John as to the risks, gaps and provide recommendations from industry professionals as to what must be done to reduce the activities as being observed and reported in the SCT's and outlined in the document I provided. GPEB can furnish the background and data. This option might be of value in advancing governments extreme concern about the activity which is being observed and reported in those SCT's as contained in the attached document. As I stated that is a one month snapshot. We have additional data and video material. In addition my staff have been observing some of this activity first hand.
4. I am also awaiting information from FINTRAC on the Canadian landscape; and
5. I am searching out other possible options, for example as to whether GPEB needs to take responsibility for directing AML compliance directly to the Gaming Services Providers. That might be complicated, but is worthy of consideration. It may be that we need a brainstorming session with the GPEB executive as well to identify options.

I am on vacation from Sept 9th till the 25th and I will be asking Angela Swan to be the lead on this for me. Angela recently joined us from BCLC and she has excellent capacity in examining/recommending rational business processes that mitigate risks.

Finally, Michel is on vacation till Sept 18th and Quinn Yu is the policy contact working on this portfolio.

Regards,

Len

From: Fitzgerald, Anna FIN:EX
Sent: Friday, August 21, 2015 10:40 AM
To: Meilleur, Len FIN:EX
Subject: FW: Spreadsheet with filter

Hello Len,

Semmy manually created a summary for you in Ken's absence. If Ken is thinking of creating a monthly summary report Semmy would be happy to help him create the formula to run it each month if he needs any help.

Please note some surnames have phonetically similar first names so we have highlighted those as they are likely the same individual.

I hope it is useful.

Regards,

Anna

Anna Fitzgerald CPA, CA, CIA
 Director, Compliance
 Compliance Division
 Gaming Policy and Enforcement Branch

Know your limit, play within it.

*** CONFIDENTIALITY NOTICE ***

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THIRD PARTY RULE APPLIES.

From: Wong, Semmy FIN:EX
Sent: Friday, August 21, 2015 9:55 AM
To: Fitzgerald, Anna FIN:EX
Subject: RE: Spreadsheet with filter

Good morning Anna,

Please see attached.

Semmy Wong
 Administrative Assistant
 Compliance Division
 Gaming Policy and Enforcement Branch
 T: [REDACTED]

Know your limit, play within it.

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To: Wong, Semmy FIN:EX
Subject: FW: Spreadsheet with filter

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Director, Compliance
Compliance Division
Gaming Policy and Enforcement Branch
[REDACTED]

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To: Wenezenki-Yolland, Cheryl FIN:EX
Cc: Mazure, John C FIN:EX; Swan, Angela FIN:EX; Yu, Quinn FIN:EX
Subject: Confidential Follow Up to Project Exploring Common Ground
Attachments: Copy of SCT Laundering Project with filters.xlsx

Good morning Cheryl.

I hope you are feeling better.

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 Director, Compliance
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 Gaming Policy and Enforcement Branch


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THIRD PARTY RULE APPLIES.

This is Exhibit "Q" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1

AML Issue

No Briefing Note as this is an ongoing police investigation.

1. BCLC Mr. Brad Desmarais lodged a complaint in Feb 2015 with RCMP concerning possible illicit activity in casinos based on SCT's and other information. Suspect named and identified. Mr. Desmarais had spoken with VIIP's about where they were obtaining cash. Those interviews confirmed a concern about an illicit banking system. GPEB Compliance was aware that BCLC had been engaging with police as was GPEB to get uptake on this matter due to SCT's and volume of cash. However GPEB was not aware that the RCMP decided to commence an investigation.
2. Between June – July 2015 RCMP Federal Serious Organized Crime unit (FSOC) commenced a probe and immediately identified an "illegal cash facility" which is being used to drop funds off to River Rock Casino patrons.
3. July 20th, 2015 Mr. Ross Alderson BCLC is advised by RCMP of the results of the RCMP probe and that the funds from this cash facility were also linked to transnational organized crime and terrorist financing. Suspect as identified back in Feb 2015 was confirmed as a primary target in the investigation and a significant money lender.

Mr. Alderson then briefs CEO and two VP's of BCLC, Lightbody, Desmarais and Dolinski.

4. July 22nd, Mr. Alderson met with RCMP Inspector who confirms that this illicit money is being linked to casino activity. R2 PII Ongoing investigations/active intelligence
5. July 22nd, Mr. Alderson contacts Len Meilleur GPEB and advises that Meilleur should contact RCMP Inspector. Meilleur does and RCMP Inspector confirms what he has told Alderson. Confirms surveillance being used and serious money issues at casinos related to ORG crimes. Confident they will be successful in their operation. They have always had a concern about the amount of \$20's being file in SCT's but never the capacity to work file. R2 PII Ongoing investigations/active intelligence
R2 PII Ongoing investigations/active intelligence Jin organization responsible for millions, estimated 24.7 million alone.
R2 PII Ongoing investigations/active intelligence GPEB Compliance and BCLC need to get out in front of this. Consider FOI impact or media.

ED Len Meilleur immediately notifies ADM John Mazure. ADM said he would be briefing DM.

Meilleur obtains additional information that RCMP are months away from conclusion of this investigation and that they too are concerned about a balanced/measure/articulate approach to deal with political fallout. BCLC was informed that RCMP considers cash at casinos to be "super vulnerable". BCLC wanted more detail but RCMP not prepared to do so. RCMP does not want to enter into the politics of the GPEB/BCLC issue but as of this point in time no one can say they didn't know. RCMP after three days of work, bigger than we thought. BCLC thought they were "feeding them [RCMP] a minnow but it was a whale.

6. July 23rd ADM advises ED Meilleur that he had spoken with CEO Jim Lightbody BCLC. Talked about options including credit and need to move on that quickly.

ED Meilleur further speaks with RCMP and says BCLC is the one who reported this and hence the RCMP is now investigating it but cannot share information. Shared what they could to date as they see the industry as being vulnerable and agreement that it is in best interest to let BCLC know of concerns identified as previous Supt of Proceeds of Crime Supt. Baxter had in the past. Issue is not a drop in the hat as BCLC might say. A need to control roles and the RCMP will send out an email.

7. ADM confirms he has spoken with DM who said he will probably notify Minister by end of day. Information to ED Meilleur is that CEO Lightbody was not aware of BCLC VP making complaint to RCMP [Unsubstantiated].
8. July 24th ED Meilleur continues dialogue with RCMP who says they feel blindsided by all of the BCLC/GPEB demands for "confirmation" of what they have. RCMP have just started working this and again reiterate BCLC was complainant, and 3 days into their probe "BINGO" serious problem that could be linked to \$100's of millions. ED Meilleur informed that others in GPEB/BCLC may not be at same place about level of concern needed to address this. BCLC wishes to arrange a call with RCMP executive and VP Desmarais to arrange.
9. July 27th, a conference call with RCMP C/Supt. Bourrie, and A/Commr. Rideout, BCLC Lightbody and Desmarais, GPEB Mazure and Meilleur and some other RCMP members unknown. RCMP was only able to confirm they have a concern and are considering their options. RCMP executive somewhat concern about how this rolled out to BCLC and then GPEB.
10. July 30th. ED Meilleur/Managers Mulcahy/Mayer meet with RCMP Executive in Surrey. A/Commr. Rideout, C/Supt's Hackett, Bourrie and Canterra. RCMP understands concern and pressure as they received information from FINTRAC. They advise that this matter R2 PII Ongoing Investigations/Active
R2 PII Ongoing Investigations/Active Intelligence A request that A/Commr. be kept apprised of any concern from the Minister's office. A/Commr. Rideout was just in China and is aware, has been briefed on the exodus of funds and other challenges being faced with transnational organized crime.
11. Aug 7th. ADM sends out letter to BCLC requesting BCLC enhancements. GPEB working on Minister Directive. Minister briefing on AML scheduled for Sept 29.
12. 13 August. ED Meilleur at RCMP CFSEU Intelligence meeting. RCMP has assigned a full-time analyst to AML. Discussed needs and products. S/Cst. Ackles provides ED Meilleur with a spreadsheet outlining SCT's for month of July 2015. ED Meilleur analyzes and is concerned. Requests audits of PGF accounts, unusual transactions and high-limit rooms.
13. 19 August. ED Meilleur requests information from FINTRAC about Canadian landscape (stats) on AML.
14. 24 August. ED Meilleur advised by RCMP that R2 PII Ongoing Investigations/Active No specifics but R2 PII Ongoing Investigation/Active Intelligence At least R2 PII Ongoing Investigation/Active Intelligence
15. 26 Aug. Director Dickson advises ED Meilleur RCMP plan to work this R2 PII Ongoing Investigations/Active Intelligence
R2 PII Ongoing Investigations/Active Intelligence

Differences of opinion -what others think – reality versus belief!

- OADM was concerned back in Jan 2015 at BCLC presentation to GCPE. She questioned underground banking activity at casinos. BCLC states it is a cultural issue, VIIPS need access to cash.
- BCLC Police do not have enough evidence to get a conviction! Police have said they have observed enough to say to us for the first time that ORG crime is using gaming facilities to move illicit cash
- Can't prove it! Well our records prove that the suspicious transactions are evidence of illicit money lending market or scheme. There is no doubt about that. Supported by 3 independent players, supported by LCT observations, supported by evidence of illegal gaming houses and chip discrepancy.
- We will wait and see if charges are approved! You don't need to wait for a prosecutor to determine what the facts and intelligence tells you.
- Impact on Revenue! What about the immoral, unethical, social and political concerns. It is placement of cash by bad people. Think of the court of public opinion.
- What if the U.S. makes linkages and FINCEN, others comment on BC Casinos
- Our VIIP's are here not to gamble but to buy real estate and do business. Simply put it is bad money versus the good money. It is about one particular gaming facility over the others; the police have been unable in the past to say you had better get out in front of this. We are there now.
- BCLC now banning some high-limit players. A little too late one might argue but it is suggested and is having an impact. GSP's confirm that.
- Recent media Kroeker. No AML occurring in casinos!
- We are managing this, it is cultural. They want anonymity, they want to use cash and they want access to cash? What would an independent review tell us of that practice and thinking?
- We are doing what we need to, reporting to FINTRAC. How many SCT's does one need to say, sever relationship. What is the Industry Standard?
- Not our problem that they are avoiding other countries laws? Is that a moral, ethical and accountable response?
- The investigative theory does not support the findings. Police most likely won't be able to gather the evidence leading to a conviction! But what is happening in front of our eyes, bag after bag of cash, \$20's. It just doesn't make sense! The smell test!
- The Canadian landscape! Not happening elsewhere.
- ED Meilleur of opinion when facts are reviewed this belief that the scope of the problem is not significant simply DEFIES LOGIC! Morale, ethical, political concerns as per AG review Keep the Decks Clean. ED Meilleur expects action and has formed opinion.

Additional Options from those in letter of Aug 7th. OADM consider immediate review by OAG, IAAS or Tier 1 Accounting Firm with speciality in gaming. Compliance Division will continue to monitor STR.s

5

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This is Exhibit "R" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1

From: Meilleur, Len FIN:EX
Sent: Monday, August 31, 2015 11:02 AM
To: Swan, Angela FIN:EX
Cc: Boychuk, Dave FIN:EX; Fitzgerald, Anna FIN:EX
Subject: FW: GPEB external AML engagement TOR

Angela,

For your follow up with John in my absence when he returns. Dave, you and I can talk about the pros and cons.

Len

From: Wenezenki-Yolland, Cheryl FIN:EX
Sent: Monday, August 31, 2015 10:55 AM
To: Meilleur, Len FIN:EX
Cc: Boychuk, Dave FIN:EX; Mazure, John C FIN:EX; Fitzgerald, Anna FIN:EX
Subject: RE: GPEB external AML engagement TOR

Len,

This should form part of a discussion with John on his return and would be one of the options. One consideration – of this whether to undertake more review work is whether it would actually provide any new information beyond that you have already obtained through some of the work you have already done on AML. Or do we just need to take some of the actions that have already been identified. What would the best investment of our and BCLC resources? Doing more review or implementing actions?

I believe we need to also receive BCLC's response to John's letter before we decide on a course of action, at this point I just want to ensure we have identified all of our options.

Thanks
 Cheryl

From: Meilleur, Len FIN:EX
Sent: Monday, August 31, 2015 10:46 AM
To: Wenezenki-Yolland, Cheryl FIN:EX
Cc: Boychuk, Dave FIN:EX; Mazure, John C FIN:EX; Fitzgerald, Anna FIN:EX
Subject: FW: GPEB external AML engagement TOR

Good morning Cheryl:

Dave Boychuk has taken the lead on putting together a document which outlines the scope of work we would ask of a firm, contracted to do an external review.

Please advise if you wish us to pursue this, then Dave will be able to ask for costs and a proposal from possible contractors. We have an option of either a Tier 1 firm or someone smaller who would be able to do this as well. The difference, in my opinion, would be stature of the company and the weight behind that.

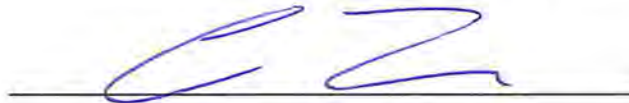
Thanks to Dave for doing this. I await your direction and we can talk about this tomorrow at the HLG Briefing if you like.

Len

J.E.L. (Len) Meilleur
Executive Director
Compliance Division
Gaming Policy Enforcement Branch
Ministry of Finance
Location: 3rd Floor, 910 Government Street, Victoria BC V8W 1X3
Mailing Address: P.O. Box 9309 Stn Prov Govt, Victoria BC V8W 9N1
Tel: [REDACTED] Fax: [REDACTED]
E-mail: [REDACTED]
Website: www.gaming.gov.bc.ca

This communication (both the message and any attachments) is intended for use by the person or persons to whom it is addressed and must not be shared or disseminated unless authorized by law or without the expressed authority of the sender. This communication may contain privileged or confidential information. If you have received this message in error or are not the named recipient, please immediately notify the sender and delete the message from your mailbox and trash without copying or disclosing it.

This is Exhibit "S" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1



341046

Bud Smith, Chair
 Board of Directors
 British Columbia Lottery Corporation
 2940 Virtual Way
 Vancouver BC V5M 0A6

Dear Mr. Smith

Re: 2015/16 Mandate Letter

British Columbians have come to expect the high quality products and services delivered by their provincial public sector organizations. The Province is well served by our public sector organizations. It is the responsibility of the boards and senior management teams of these organizations to lead and manage in the best interests of the Province and the taxpayer by strengthening accountability and promoting cost control.

One of government's core values is respect for the taxpayer's dollar. It is critical that public sector organizations operate as efficiently as possible, in order to ensure British Columbians are provided with services at the lowest cost possible. This requires constant focus on maintaining a cost-conscious and principled culture through the efficient delivery of services that stand the test of public scrutiny and help develop a prosperous economy in an environmentally sustainable manner. The foundation of this work is the government's commitment to controlling spending and balancing the budget.

The British Columbia Lottery Corporation (BCLC) is directed to take the following specific strategic priority actions for 2015/16:

1. BCLC will implement action items that pertain to the Corporation as part of government initiatives in the areas of health prevention, protection and research to address problem gambling. These action items and their timelines for implementation are being developed by government in consultation with BCLC taking into consideration the Provinces' 2014 Problem Gambling Prevalence Study, the 2013 Public Health Officer's (PHO) Report, entitled *Lowering the Stakes: A Public Health Approach to Gambling in British Columbia*, as well as other research on problem gambling in youth and problem gambling treatment programs.

.../2

Ministry of Finance

Office of the Minister

Mailing Address:
 PO Box 9048 Stn Prov Govt
 Victoria BC V8W 9H2
 Telephone: 250 387-3751
 Facsimile: 250 387-5594

Location:
 501 Belleville Street
 Parliament Buildings, Victoria
 website:
www.gov.bc.ca/fin

- 2 -

2. The Gaming Policy and Enforcement Branch (GPEB) and BCLC will jointly develop key principles that will inform respective roles and responsibilities. These principles will outline expectations, obligations, and related business impacts to provide role clarity and maximize accountability. These principles will be devised by June 30, 2015, and implemented by December 31, 2015.
3. Optimize the Corporation's financial performance, in accordance with government policy and directives under the *Gaming Control Act* and Treasury Board direction. BCLC will sustain the organizations net return to the province, by responding to customer and marketplace demands for products and services and seeking new revenue opportunities that are consistent with the approved framework. Consistent with previous direction the corporation will present Treasury Board with a detailed business case for casino optimization by November 30, 2014, and a detailed business case and risk assessment for business optimization by February 28, 2015.
4. At the conclusion of the Crown Review BCLC, the Corporation will work to address, as appropriate, the recommendations made by Internal Audit & Advisory Services.
5. As part of the Corporation's continued mandate, BCLC will use information provided by law enforcement to create actions and solutions to prevent money laundering in BC gaming facilities. GPEB will develop anti-money laundering standards, to which BCLC will respond. Additionally, BCLC will identify and implement strategies to increase the use of cash alternatives and measure and demonstrate this progress.

These specific strategic priority actions and the Taxpayer Accountability Principles actions are to be included and integrated in your 2015/16-17/18 Service Plan.

As part of the commitment to fiscal responsibility and to ensure the best possible use of government resources, provincial public sector organizations now operate under the Taxpayer Accountability Principles (attached) announced by Premier Christy Clark in June 2014. Through the implementation of Taxpayer Accountability Principles, leadership teams in public sector organizations are leading a change to a cost-conscious public sector that strengthens cost management capabilities and fosters a principled culture of efficiency and accountability at all levels. This leadership includes implementing your organization's Code of Conduct which contains conflict of interest provisions and post-employment restrictions.

BCLC is expected to fully adopt the Taxpayer Accountability Principles – cost consciousness (efficiency), accountability, appropriate compensation, service, respect and integrity. The actions, as detailed in the 2014 Transition Letter, are to be completely implemented in 2015/16. For further information on the Taxpayer Accountability Principles, please see, <http://gov.bc.ca/crownaccountabilities>.


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- 3 -

To support the implementation of the Taxpayer Accountability Principles, please ensure all board members sign this 2015/16 mandate letter and the signed letter is posted publicly on your organization's website.

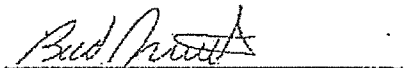
Government is committed to further strengthening accountability, improving the management of public funds and revitalizing the relationship between government and public sector organizations. This strong focus on improved two-way communication is to support and ensure a complete understanding of government directions, expectations, accountabilities and alignment with strategic priorities. As such, it is important that each of us advise the other in a timely manner of any issues that may materially affect the business of BCLC and/or the interests of government, including information on any risks to achieving financial forecasts and performance targets.

I look forward to our regular quarterly meetings that focus on strategic priorities, performance against the Taxpayer Accountability Principles, results and working together to protect the public interest at all times.


Honourable Michael de Jong, Q.C.
Minister of Finance

Date: FEB 05 2015

Signed By:


Bud Smith, Chair
British Columbia Lottery Corporation

16/2/2015
Date

Arthur H. Willms, Vice-Chair
Board of Directors
British Columbia Lottery Corporation

Date

Christina Anthony, Director
British Columbia Lottery Corporation


Date

- 3 -

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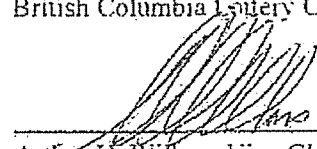

Honourable Michael de Jong, Q.C.
Minister of Finance

Date: FEB 05 2015

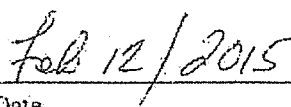
Signed By:

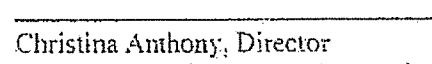

Bud Smith, Chair
British Columbia Lottery Corporation

Date


Arthur H. Willms, Vice-Chair
Board of Directors
British Columbia Lottery Corporation

Date




Christina Anthony, Director
British Columbia Lottery Corporation

Date

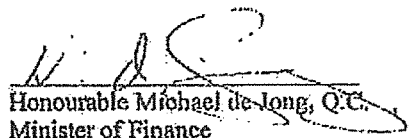
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- 3 -

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Honourable Michael de Jong, Q.C.
Minister of Finance

Date: FEB 05 2015

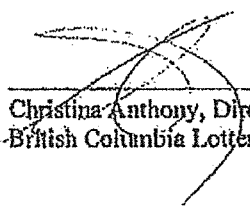
Signed By:

Bud Smith, Chair
British Columbia Lottery Corporation

Date

Arthur H. Willms, Vice-Chair
Board of Directors
British Columbia Lottery Corporation

Date



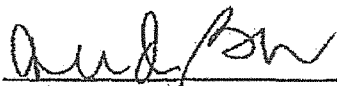
Christina Anthony, Director
British Columbia Lottery Corporation

Feb 16, 2015

Date

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- 4 -



Trudi Brown, Director
British Columbia Lottery Corporation

Feb 13/15

Date

David W. Gillespie, Director
British Columbia Lottery Corporation

Date

Robert Holden, Director
British Columbia Lottery Corporation

Date

Moray Keith, Director
British Columbia Lottery Corporation

Date

Wendy Lisogar-Cocchia, Director
British Columbia Lottery Corporation


Date

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- 4 -

Trudi Brown, Director
British Columbia Lottery Corporation

Date



David W. Gillespie, Director
British Columbia Lottery Corporation

Feb 16, 2015
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Robert Holden, Director
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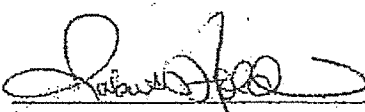
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Trudi Brown, Director
British Columbia Lottery Corporation

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British Columbia Lottery Corporation

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Robert Holden, Director
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February 13, 2015

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- 4 -

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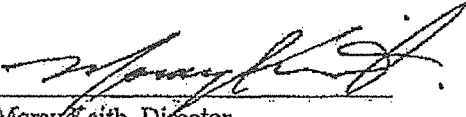
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- 4 -

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Moray Keith, Director
British Columbia Lottery Corporation

Date

Wendy Lisogar-Cocchia
Wendy Lisogar-Cocchia, Director
British Columbia Lottery Corporation

Feb 13 / 2015
Date

.../5

- 5 -

cc: Honourable Christy Clark
Premier

John Dyble
Deputy Minister to the Premier and Cabinet Secretary

Peter Milburn
Deputy Minister and Secretary to Treasury Board
Ministry of Finance

Cheryl Wenezenki-Yolland
Associate Deputy Minister
Ministry of Finance

Bud Smith, Chair,
Arthur Wilms, Board Member
Trudi Brown, Board Member
David Gillespie, Board Member
Robert Holden, Board Member
Wendy Lisogar-Cocchia, Board Member
Moray Keith, Board Member
British Columbia Lottery Corporation

Jim Lightbody A/Chief Executive Officer
British Columbia Lottery Corporation

Attachment: Taxpayer Accountability Principles

B.C. Taxpayer Accountability Principles

Further information available at: <http://gov.bc.ca/crownaccountabilities>

Cost Consciousness (Efficiency)	Strengthen cost management capabilities and foster a culture of cost-consciousness at all levels of public sector organizations. Provide public services and programs as efficiently and effectively as possible to "bend the cost curve" and support sustainable public policies and programs as a lasting legacy for generations to come.
Accountability	Transparently manage responsibilities according to a set of common public sector principles in the best interest of the citizens of the province. By enhancing organizational efficiency and effectiveness in the planning, reporting and decision making, public sector organizations will ensure actions are aligned with government's strategic mandate.
Appropriate Compensation	Comply with a rigorous, standardized approach to performance management and employee compensation, which reflects appropriate compensation for work across the public sector that is consistent with government's taxpayer accountability principles and respectful of the taxpayer.
Service	Maintain a clear focus on positive outcomes for citizens of British Columbia by delivering cost-efficient, effective, value-for-money public services and programs.
Respect	Engage in equitable, compassionate, respectful and effective communications that ensure all parties are properly informed or consulted on actions, decisions and public communications in a timely manner. Proactively collaborate in a spirit of partnership that respects the use of taxpayers' monies.
Integrity	Make decisions and take actions that are transparent, ethical and free from conflict of interest. Require the establishment of a strong ethical code of conduct for all employees and executives. Serve the citizens of British Columbia by respecting the shared public trust and acting in accordance with the taxpayer accountability principles.

This is Exhibit "T" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1



Know your limit, play within it.

August 7, 2015

[345004]

Jim Lightbody
CEO and President
British Columbia Lottery Corporation
2940 Virtual Way
Vancouver BC V5M 0A6

Dear Mr. Lightbody

Re: Enhancements to Anti-Money Laundering Regime in B.C. Gaming Facilities

Pursuant to the Ministerial 2015/16 Mandate Letter to the British Columbia Lottery Corporation (BCLC), and work undertaken to date under the AML Strategy, I am requesting that BCLC increase its efforts to develop and promote the use of cash alternatives and implement enhancements to its due diligence and compliance program as part of its anti-money laundering (AML) regime in gaming facilities.

The 2015/16 Mandate Letter established as a specific strategic priority that:

"BCLC will use information provided by law enforcement to create actions and solutions to prevent money laundering in BC gaming facilities. GPEB will develop anti-money laundering standards, to which BCLC will respond. Additionally, BCLC will identify and implement strategies to increase the use of cash alternatives and measure and demonstrates this progress".

The multi-phased AML Strategy, begun in 2012, includes:

- Phase 1 - the development and implementation of cash alternatives;
- Phase 2 - the promotion of cash alternatives by gaming facility patrons; and
- Phase 3 - the consideration of regulatory guidance about potential additional measures for enhancing AML due diligence.

I want to acknowledge BCLC's active involvement in delivering the AML Strategy. This includes leading the development, implementation and promotion of cash alternatives in gaming facilities, and participating in recent discussions about exploring opportunities that will enhance compliance in the area of cash entering gaming facilities, including the recent workshop held on June 4th with AML stakeholders and experts.

Ministry of Finance

Gaming Policy and
Enforcement Branch
Assistant Deputy Minister's
Office

Mailing Address:
PO BOX 9311 STN PROV GOVT
VICTORIA BC V8W 9N1
Telephone: (250) 387-1301
Facsimile: (250) 387-1818

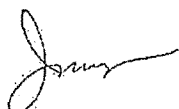
Location:
Third Floor, 910 Government Street
Victoria, BC
Web: www.gaming.gov.bc.ca

To enhance the AML regime, BCLC is asked to pursue the following activities:

1. Develop and implement additional Customer Due Diligence (CDD) policies and practices constructed around financial industry standards and robust Know Your Customer (KYC) requirements, with a focus on identifying source of wealth and funds as integral components to client risk assessment. This assessment should be based upon suspicious currency transaction occurrences.
2. Develop and implement additional cash alternatives, focusing on furthering the transition from cash-based to electronic and other forms of transactions, and instruments, and exploring new ways to promote existing and new cash alternatives. These alternatives should form part of a broader strategy for increasing the use of cash alternatives in gaming facilities, including implementing a performance measurement framework and an evaluation plan to determine service provider participation.
3. Work with GPEB to develop processes and approaches to clarify roles and responsibilities around AML intelligence, analysis, audit and compliance activities. This includes considering information sharing and access to systems that support the AML strategy's elements.
4. Work with GPEB and other stakeholders such as FINTRAC to develop a BCLC public information and education strategy and action plan for government's review and approval. The plan should include coordinated messaging about anti-money laundering activities in gaming facilities, and outline the requirements, roles and responsibilities for identification, reporting, investigation and enforcement.

I would be happy to discuss any of the above with you further. I recommend that BCLC staff consult and review with GPEB staff on developing approaches and specific actions to implement the above activities.

Yours sincerely,



John Mazure
General Manager
Gaming Policy and Enforcement Branch

This is Exhibit "U" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1

August 24, 2015

Office of the Minister & House Leader
Ministry of Finance
PO Box 9048 Stn. Prov. Govt.
Victoria, BC V8W 9E2

Attention: Hon. Michael de Jong

Dear Minister de Jong:



Re: BCLC's Anti Money Laundering (AML) Enhancement Strategy

The purpose of this letter is to update you in regards to BCLC's commitment to anti-money laundering and to provide feedback and recommendations stemming from the General Manager of GPEB, John Mazure's letter to BCLC on August 7, 2015 titled **Re: Enhancements to Anti-Money Laundering Regime in B.C. Gaming Facilities**

Bullet point one (1) on page two (2) of that letter states that BCLC will:

74 West Seymour Street
Kamloops, BC V2C 1E2

"Develop and implement additional Customer Due Diligence (CDD) policies and practices constructed around financial industry standards and robust Know Your Customer (KYC) requirements, with a focus on identifying source of wealth and funds as integral components to client risk assessment. This assessment should be based upon suspicious currency transaction occurrences."

2940 Virtual Way
Vancouver, BC V5M 0A6

While it is generally easier to identify an individual's source of wealth, identifying the actual source of funds per transaction is far more problematic, especially when the funds are presented as cash. It is financial industry standard to ask a customer to declare the source of funds for all transactions (including cash) over CAD \$10,000.00 however little follow up investigation is then conducted. It is also common practice in the financial industry to terminate a business relationship with a customer after two or three suspicious transaction reports (STR)

While BCLC continue to encourage cash alternative options for customers in BC casinos cash is still the preferred deposit method and it is not uncommon for some individuals to have multiple suspicious transaction reports (STR) in a calendar year based on their cash buy in's alone.

In the fiscal year 2014/2015 1737 STRs were submitted to FINTRAC from BC Casinos. The total dollar value of those STRs for that period was approximately \$160 million, primarily all of it in cash.

Of those 1737 STR's approximately four hundred and eleven (411) unique individuals were recorded with one (1) or more STRs, One hundred and one (101) of those having five (5) or more STRs. Those 101 individuals accounted for approximately \$686 million table drop and in \$137 million in net revenue.

BCLC believe that currently no one agency in British Columbia is equipped to identify the actual source of funds. To do so would require in most cases, law enforcement intervention. Currently BCLC and GPEB lack the legislative authority, and law enforcement lack the available budget, resources and visibility into gaming.

Recommendation

1. BCLC would propose that a dedicated law enforcement gaming unit be established by the provincial government. The Gaming unit would require appropriate legislative authority and full designated police powers, with a clear mandate to investigate and prosecute all serious gaming related criminal offences.

The primary focus of this unit would be on identifying and eliminating proceeds of crime entering into BC gaming facilities, as well as identifying and preventing all illegal or "underground" gambling in BC, including "grey market" or illegal internet gambling.

The Gaming unit ideally, would contain experts in Gaming within BC, Proceeds of Crime, Money Laundering and Terrorist Financing as well as personnel with experience and designated authority to conduct surveillance, execute search warrants, property seizures and forfeiture, and an understanding of Chinese culture and associated languages.

2. It is essential that government support cash alternative initiatives. Without providing a full suite of non-cash options including facilitating credit to Chinese high limit players BC faces a potential substantial drop in gaming revenue.

Yours truly,

Jim Lightbody
President & CEO, BCLC

Cc: Cheryl Wenezenki-Yolland
Associate Deputy Minister, Ministry of Finance



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This is Exhibit "V" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1

Ministry of Finance
BRIEFING DOCUMENT

To: Honourable Michael de Jong **Date Requested:** Sept. 28, 2015
Minister of Finance **Date Required:** Oct.9, 2015

Initiated by: John Mazure **Date Prepared:** Oct.9, 2015
ADM and General Manager
Gaming Policy & Enforcement Branch

Ministry
Contact: John Mazure
ADM & General Manager
Gaming Policy & Enforcement Branch

Phone Number: [REDACTED]

Email: [REDACTED]

CLIFF # 346213

TITLE: Enhanced Compliance and Enforcement on Gambling Activities

PURPOSE: SUPPLEMENTARY INFORMATION FOR MEETING WITH RCMP ON
OCTOBER 14, 2015 – FOR FUTURE DECISION

Executive Director approval: _____

ADM approval: _____

Associate DM approval: _____

DATE PREPARED: Oct. 9, 2015

TITLE: Enhanced Compliance and Enforcement on Gambling Activities

ISSUE: Phase 3 of the government's anti-money laundering (AML) strategy centres on additional measures for enhancing due diligence and regulator guidance and intervention. The Gaming Policy and Enforcement Branch (GPEB) is focusing resources on areas of highest risk to gaming integrity. GPEB has identified the prevalence of large and suspicious cash transactions at lower mainland gaming facilities as a high risk.

Gambling activities taking place outside of legal gaming facilities that contravene the *Criminal Code* of Canada are also a high risk to the integrity of gaming in B.C. Enforcing provisions of Part VII of the *Criminal Code* is outside the authority of GPEB investigators and rests with the police.

Three possible enforcement options are proposed to address the concern of proceeds of crime and large suspicious cash transactions at B.C. gaming facilities as well as illegal gambling concerns. The recommended option would provide strategic enforcement that is targeted, proactive and designed for maximum deterrence of suspicious cash and other unlawful activities which detract from the integrity of gaming and revenue generated for the Province.

RECOMMENDATION: Option 2

Introduce a joint interdiction team between BCLC, GPEB and the RCMP to strategically investigate suspicious cash transaction inside gaming facilities and unlawful forms of gambling.

BACKGROUND:

- In 2011, government implemented an AML strategy focused on minimizing opportunities for money laundering. The strategy is led by an internal working group at GPEB. Phase 1 of the strategy involved the development and implementation of cash alternatives (substantially complete) and phase 2 involved intervention by service providers to encourage use of cash alternatives by patrons. Phase 3 focuses on regulator guidance and, where necessary, intervention regarding customer due diligence (CDD).
- GPEB is aware of a prevalence of large cash transactions, often resulting in suspicious transaction reports (STR), in B.C. gaming facilities. Based on analysis of the number of STRs and value of cash, it has been determined that this issue is predominantly concentrated in lower mainland gaming facilities.
- Lower mainland gaming facilities experience wealthy foreign patrons who prefer cash and wager substantial amounts while gambling. The British Columbia Lottery Corporation (BCLC) asserts these patrons use cash rather than cash alternatives due to convenience, superstition and cultural preferences and not for the purpose of laundering money. Moving large sums of cash in and out of gaming facilities presents a significant concern to government and a public safety risk in and near the facility.
- GPEB has been made aware of reports of high stakes illegal gaming houses and other illegal activities related to gambling taking place in the lower mainland. These activities impact both

the integrity of gaming and revenue generated by legal gaming facilities and is believed support organized crime.

Integrated Illegal Enforcement Team (2003-2009)

- The Integrated Illegal Gaming Enforcement Team (IIGET) was established by a 2003 Memorandum of Understanding (MOU) between the RCMP, the Ministry of Public Safety and Solicitor General (Police Services) and GPEB. IIGET was created due to a concern about the enforcement response to illegal gaming in the province.
- IIGET was directed to investigate illegal gaming activities occurring outside of licensed gaming facilities such as illegal lotteries, common gaming houses, the distribution of illegal video lottery terminals, animal fights, bookmaking, and internet gaming. IIGET was not mandated to focus their attention on large cash transactions in legal gaming facilities.
- BCLC provided the majority of IIGET funding. The RCMP did not seek a renewal of the IIGET MOU in 2009 citing exigent funding pressure (BCLC cut their funding), criminal enterprise activity and/or other operational and investigative priorities. The province determined that the IIGET's effectiveness was not meeting program objectives.

Role of BCLC Corporate Security and Compliance Division & GPEB Compliance Division

- BCLC's Corporate Security and Compliance division is responsible for corporate security and compliance related to the conduct and management of legal commercial gaming, including customer service complaint investigations, information systems security and employee and service provider compliance.
- BCLC must report specific activity, conduct or incidents to GPEB as per section 86(2) of the GCA. BCLC investigators have no authority to investigate or to issue violation tickets under the GCA or the *Criminal Code*. BCLC only has the authority to monitor incidents that contravene their policies, procedures and agreements as per section 7(1)(h) of the GCA and not take any further action beyond reporting it to GPEB and, if necessary, the appropriate police agency.
- BCLC's corporate security division may take actions up to and including the suspension and/or termination of activities as outlined in the service agreements between BCLC and the service provide (or individual) when it is related to the conduct and management of gaming. BCLC's corporate security division would be able to provide assistance to a joint enforcement team by way of business acumen, business intelligence and data analytics and support as required.
- GPEB's compliance division carries out strategic enforcement activities under the authority of the provincial *Gaming Control Act* (GCA) and *Gaming Control Regulation*. Section 97(2) of the GCA outlines specific offences¹ that are enforceable by GPEB through issuing of violation tickets under the *Offence Act*.
- The division employs more than 20 employees who have been designated by the general manager as "investigators" under section 81 of the GCA; all of these investigators have also received appointments as special provincial constables (SPC), appointed under *Section 9* of

¹ Commonly enforced GCA offences include unauthorized lottery schemes and sales of lottery tickets; unregistered gaming service providers, gaming supplies and gaming workers; offences relating to minors; and prohibited person to remain on or enter into the premises of a gaming facility.

the *Police Act*. The SPC status is meant to enhance the role of GPEB investigators so they can, in limited circumstances, assist the police in connection with *Criminal Code* offences.

- Only the police have the authority to conduct investigations and enforcement actions for offences such as those found in Part VII (Disorderly Houses, Gaming and Betting) of the *Criminal Code*. Consequently, GPEB's role is limited to enforcing relevant sections of the GCA unless assisting or acting under the direction of the police (any recommended charges would be submitted to Crown Counsel via the police). There is also occasion where GPEB may take continuity of minor criminal investigations with the approval of local law enforcement, such as a minor theft in a gaming premise.

DISCUSSION:

Suspicious cash transaction in B.C. casinos

- Section 86(2) of the *Gaming Control Act* requires BCLC, registrants and licensees to notify the general manager immediately about any conduct, activity or incident occurring in connection with a lottery scheme or horse racing, if it involves an offence under the GCA or under a provision of the *Criminal Code* relevant to a lottery scheme or horse racing.
- GPEB's compliance division performed an analysis of STRs of amounts over \$50,000 occurring in lower mainland gaming facilities in July 2015. The analysis concluded that while gaming service providers were fulfilling their statutory reporting requirements under the Financial Transactions and Reports Analysis of Canada (FINTRAC), there was limited action being taken with suspicious large cash transactions.
- The July analysis found that, lower mainland gaming facilities reported \$14.9 million in suspicious transactions (buy-ins) made in \$20 bills out of a total of \$20.7 million. Of that \$20.7 million, five patrons were responsible for nearly half of the amount (\$9.8 million).
- Monthly STR totals fluctuate throughout the year; however, July 2015 is currently the highest total of all 2015 months. From January 1, 2015 to present, STR's recorded total \$112 million. For fiscal year 2014/15, \$212 million in STRs have been reported to date.
- GPEB's analysis of the STRs illustrate there is limited refusal of suspicious cash. Front line gaming facility staff are trained to identify and file STRs but there was little evidence that transactions were being declined.
- Since July 2015, GPEB has noted that there has been an increase in actions taken by service providers and BCLC resulting in a decrease in the volume of cash being accepted at gaming facilities.

Current and Planned Phase 3 AML Strategy Activities

- Phase 3 of the Gaming Policy and Enforcement Branch's (GPEB) anti-money laundering (AML) strategy is centered on regulatory guidance and additional measures for enhancing AML due diligence.
- Planned or underway phase 3 activities include:
 - Consultation with the Department of Finance Canada on regulatory amendments to the federal *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. GPEB has

- requested that FINTRAC consider requiring service providers to determine source of funds and source of wealth for inbound currencies in gaming facilities.
- An external review by Meyers Norris Penny (MNP LLP) of BCLC reporting processes to inform GPEB of the effectiveness of current BCLC AML policies and procedures and provide recommendations for improvement.
 - Implementation of new and enhanced cash alternatives including the consideration of delimiting convenience cheques and offering credit to specific patrons.
 - BCLC will be increasing its efforts to develop and promote the use of cash alternatives and implement enhancements to its due diligence and compliance and interdiction programs. This includes capacity to detect and interview customers on their source of funds and make a determination on whether to accept or deny the cash.
 - Implementation of a new intelligence unit in GPEB's compliance division to address the lack of interdiction and enforcement presence in lower mainland gaming facilities. Meetings have recently occurred with the RCMP Division Intelligence Officer to establish a new Memorandum of Understanding (MOU) and as to how to best integrate combined resources to address gaming integrity.
- GPEB has further requested BCLC implement rigorous customer due diligence policies and practices constructed around financial industry standards and to focus on knowing their customer and identifying source of funds as an integral component to client risk assessment.
 - BCLC and its service providers will continue to file reports with the appropriate enforcement agency such as FINTRAC and GPEB. GPEB will continue to make efforts to liaise and leverage police authorities to take action where appropriate. However, the decision to take action on criminal matter remains with the police of jurisdiction.

Illegal Gaming in British Columbia

- Gambling activities that contravene Part VII of the *Criminal Code* and occur outside of legal gaming facilities are a high risk to the integrity of gaming in B.C.
- In the past 5 years, GPEB has referred 47 occurrences of illegal common gaming houses to police to investigate. Of those, 10 cases are from the lower mainland with the remaining 37 from the rest of B.C. Many of the cases outside of the lower mainland relate to unlicensed bingo events taking place on First Nations reserves. Numerous steps have been taken by GPEB to shut these events down with warnings and referrals to the police, however these gaming events remain low priority for police and there appears to be limited interest by First Nations to become compliant with gaming laws and regulations when the events take place on their territory.
- Since 2011, no charges have been laid related to common gaming houses in B.C.

Enforcement authority of the Criminal Code as it relates to gaming in BC

- As the *Gaming Control Act* does not confer specific authority for GPEB investigators to enforce the *Criminal Code* outside of their mandated duties, significant legislative amendments would be required to enable this function. For an outline of statutory enforcement authorities of BCLC, GPEB, and the police, see Appendix I.

- The investigation of suspicious cash transactions occurring in gaming facilities is within GPEB's compliance division mandate. While crimes associated with money-laundering are contained in the *Criminal Code*, in particular Part XII.2 *Proceeds of Crime*, GPEB has the authority to investigate these to a point in time where reasonable grounds determine a *Criminal Code* offence is occurring. These investigations may lead to larger more complex investigations involving organized crime. Once this is determined, the investigation is forwarded to the police as GPEB does not have the authority, or the capacity, to undertake further enforcement activities such as surveillance, undercover operations, and technical installations which require consideration of safety and use of force.
- Section 86(2) of the *Gaming Control Act* requires the lottery corporation, registrants and licensees to notify the general manager immediately about any conduct, activity or incident occurring in connection with a lottery scheme or horse racing, if it involves an offence under the GCA or under a provision of the *Criminal Code* relevant to a lottery scheme or horse racing. Failing to comply with this section of the Act is not an offence and therefore, there are limited means of recourse in instances of non-compliance.

Gaming enforcement in Canada

- With the exception of Ontario, all Canadian gaming regulators rely on the police of jurisdiction to investigate illegal gaming under part VII of the *Criminal Code*.
- In Ontario, the Investigation and Enforcement Bureau (Alcohol and Gaming Commission of Ontario, AGCO) is comprised of seconded members of the Ontario Provincial Police (OPP) (currently 160 officers). These OPP members along with approximately 55 GCO/OLG Inspectors (designated Provincial Offences Officers for the purposes of Ontario's *Liquor Licence Act* and the *Gaming Control Act*) provide enforcement for both liquor and gaming. The enforcement officers are directly involved in assessing STR activity at the casino and making a determination on the source of funds. This preventative on-site intervention deters the amount of illicit activity related to money laundering or loan sharking from occurring.
- Ontario also has an Illegal Gambling Unit (IGU) within the OPP's Organized Crime Enforcement Bureau which investigates illegal gaming with an emphasis on organized crime.
- Nationally, FINTRAC creates data trails that are used by law enforcement to identify patterns and gather evidence of potential money laundering. In 2014/15, FINTRAC data shows that large cash transaction reports from casinos (all large-cash transactions and disbursements over \$10,000) from B.C. make up 72 per cent of the national total. As concerning is that suspicious transactions reports from B.C. casinos account for 73 per cent of the national share. These totals indicate that this issue is primarily a B.C. problem given that BC only accounts for 24 per cent of casinos nationwide (17 out of 72).²

OPTIONS:

- Option 1:** Continue with planned activities for phase 3 AML strategy implementation. This includes addressing suspicious cash in gaming facilities and referring unlawful gaming activities occurring outside gaming facilities to the police to take action (status quo)

² Source; 2012/13 Canadian Gambling Digest, Table 1. Venues. Found <http://www.cprg.ca/articles/Canadian%20Gambling%20Digest%202012-13.pdf>

GPEB and BCLC will continue to build on the accomplishments of phases 1 and 2 of the AML strategy and implement phase 3 as planned.

Implications

- Without any new interventions by BCLC, GPEB and/or government, a high volume of suspicious cash may continue to be brought into B.C. gaming facilities.
- Illegal gaming activities outside of gaming facilities may remain a low priority for police of jurisdiction.
- Likely to have a negative impact on gaming revenues.
- Significant impact on resources of BCLC and gaming services providers who will need to expend revenue on training and oversight as BCLC implements enhancements to its due diligence and compliance and interdiction program.
- Inability to investigate illegal gaming houses occurring outside of gaming facilities without police support.
- Employee safety may be put at risk as the implementation of BCLC's compliance and interdiction program may escalate behavioural issues as it may cause clients to be upset.

Option 2: Introduce a joint interdiction team between the Ministry of Finance's GPEB and the RCMP to strategically investigate suspicious cash transactions inside gaming facilities and unlawful forms of gambling

A new joint interdiction team would be formally established by a Memorandum of Understanding (MOU) and accountable to the Minister of Finance and Minister of Justice. The RCMP would be responsible for liaising with municipal police forces and other enforcement bodies as appropriate. The team would provide targeted and proactive enforcement predominately in the lower mainland to deter large cash transactions and other unlawful activities to ensure the gaming industry is conducted with integrity and free from criminal activity.

This team would be integrated with GPEB to identify projects, share intelligence and focus on matters which not only impact gaming integrity but disrupt revenue from legitimate gaming services providers. This team would consist of trained professionals who could assess and interdict suspected activities on-site and potentially make referrals to other agencies such as Civil Forfeiture.

BCLC's role in the team would be limited to monitor incidents that contravene their policies, procedures and agreements and the requirement under the GCA to inform GPEB where appropriate. BCLC will offer support to the team with business acumen, business intelligence and data analytics.

This option is similar to the Ontario integrated regulator and police gaming enforcement model.

Implications

- Significant upfront and long term cost implications. Unknown who will bear these costs (government or BCLC).
- Will likely require the Ministry of Finance seek requisite approval – from Cabinet and Treasury Board – for additional funding.

- Will have an immediate impact on criminal organizations who consider using gaming facilities or patrons as a vehicle to move their illegitimate cash.
- It is likely that this new team will have a short-term impact on casino revenues.
- The RCMP may not be able to assign FTE positions to a joint team.
- The RCMP will be reallocating police offices to this team away from other non-gambling law enforcement priorities.
- May have negative impacts on gaming revenue as patrons may choose to gamble in other jurisdictions.

Option 3: Create a new designated gambling enforcement policing Unit under Section 4 of the *Police Act*

Under this option, a designated policing and law enforcement Unit would be established under *Section 4* of the *Police Act*. The Unit would be an independent policing agency with a unique mandate to tackle illegal gambling and unlawful activities within legalized gaming. The independent Unit would not report to the General Manager, GPEB.

Implications

- Requires legislative changes to the *Gaming Control Act* and requirements under the *Police Act*.
- Would solely focus on gaming in the Province and may be deemed by the public to be excessive.
- Significant upfront and long term cost implications. Unknown who will bear these costs (government or BCLC).
- Will likely require the Ministry of Finance seek requisite approval – from Cabinet and Treasury Board – for additional funding.
- May have negative impacts on gaming revenue as patrons may choose to gamble in other jurisdictions.

RECOMMENDATION: Option 2

APPROVED / NOT APPROVED

Honourable Michael de Jong
Minister of Finance

Date

APPENDIX I – STATUTORY ENFORCEMENT AUTHORITY

Enforcement authorities of BCLC, GPEB and Police:

	Designation	BCLC Policies & Procedures	<i>Gaming Control Act (GCA)</i>	<i>Part VII Criminal Code of Canada (CCC)</i>
BCLC	No special designation	<ul style="list-style-type: none"> • Monitor incidents that contravene their policies, procedures and agreements related to the conduct and management of gaming • BCLC must report specific activity, conduct or incidents to GPEB (s86(2) GCA) 	<ul style="list-style-type: none"> • No authority to investigate offences under the GCA or to issue violation tickets • Provides assistance and information as requested by GPEB or police 	<ul style="list-style-type: none"> • No authority to enforce the CCC • Provides assistance and information as requested by GPEB or police
Employees of GPEB	GM designated Investigators under s. 81 of the GCA & Special Provincial Constable Status	<ul style="list-style-type: none"> • Not applicable 	<ul style="list-style-type: none"> • Authority to investigate and to issue violation tickets in relation to offences under the GCA 	<ul style="list-style-type: none"> • Limited authority to investigate criminal offences in order to assist police or under the direction of police
Police	Police officers (members of the provincial police force, a municipal police force)	<ul style="list-style-type: none"> • Not applicable 	<ul style="list-style-type: none"> • Can investigate and issue violation tickets in relation to offenses under the GCA, although in practice the police do not do so 	<ul style="list-style-type: none"> • Full jurisdictional authority to enforce the CCC • Can make arrests, issue appearance notices, recommend charges, etc

APPENDIX II – Biography of Deputy Commissioner Craig Callens

Deputy Commissioner Craig Callens
Commanding Officer of E Division
Royal Canadian Mounted Police


Deputy Commissioner Craig Callens joined the Royal Canadian Mounted Police in September 1985. Over the course of his service he has been assigned to duties ranging from General Duty to Major Crime and from Federal Drug Enforcement to Criminal Operations throughout British Columbia.

He was first posted in Prince George, British Columbia and he received his first promotion in 1995 when he became the Detachment Commander of Wells Detachment. He was transferred to Kamloops Detachment in 1997 and later promoted to Sergeant. In 2002 he was commissioned to the rank of Inspector as the Operations Officer E Division Drug Enforcement Branch. Two years later he would serve in the RCMP's largest detachment, Surrey Detachment, for five years as the Investigative Services Officer as both an Inspector and Superintendent. In 2009 he served as the Lower Mainland District Operations Officer and was promoted to rank of C/Supt. Then in 2009 he moved to E Division Headquarters to become the Deputy Criminal Operations Officer (Contract Policing) for the Province of BC.

Prior to his appointment as Commanding Officer of E Division, he served as the Officer in Charge of Criminal Operations. In 2013, Deputy Commissioner Callens was appointed to the Order of Merit of the Police Forces.

Deputy Commissioner Callens was born in Ottawa and raised in Saskatchewan. He is the third of four generations of RCMP members in the Callens family. He is married to RCMP Sergeant Joanne Callens and is the proud father of a daughter, Constable Courtney Callens, and a son Taylor.

This is Exhibit "W" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1



Ministry of
Finance

Office of the
Minister

MEMORANDUM

To: Cheryl Wenezenki-Yolland
Associate Deputy Minister and
Chief Records Officer
Ministry of Finance

January 8, 2016
347695

Re: BCLC draft Treasury Board Submission

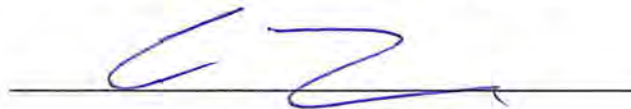
1. Having had an opportunity to review the BC Lottery Corporation (BCLC) draft Treasury Board Submission, I note that while BCLC is projecting modest growth in revenue, they are planning to increase operating and discretionary costs significantly and once again are requesting an increase to the comprehensive cost ratio (CCR). I also note that this increase in costs does not reflect a provision for the joint enforcement initiative which has been discussed with BCLC and identified as a priority in their upcoming Mandate Letter.
2. Consistent with the direction that I have provided to all crown corporations and public sector organizations, I expect BCLC to demonstrate discipline with respect to cost control. In this regard, I would expect BCLC to manage all operational costs within the previously approved CCR limits. However, given our collective commitment to strengthen enforcement activities in response to illegal gaming activity, I am prepared to take forward to Treasury Board a request to increase the CCR targets for related enforcement costs.

Please review these matters with BCLC.

A handwritten signature in black ink, appearing to read "M. de Jong".

Michael de Jong, Q.C.
Minister

This is Exhibit "X" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1



Ministry of
Finance

Office of the
Associate Deputy Minister
and Chief Records Officer

MEMORANDUM

To: Jim Lightbody, CEO
BC Lottery Corporation

January 8, 2016
347695

Re: Treasury Board Submission

Consistent with our past conversations, I am sharing with you the direction received from the Minister (see attached memo). Specifically the Minister has identified his expectation that BCLC will manage all operational costs within the previously approved limits for CCR with one notable exception: the Minister is prepared to take forward to Treasury Board a submission that requests an increase to the CCR for costs related to the joint enforcement initiative.

To accommodate reviews and final sign-offs within the Ministry leading up to the presentation to Treasury Board on the 14th, we would appreciate receiving the revised submission by end of day on Monday January 11, 2016.

I believe this memo will satisfy your request to receive this information in writing. Should you want to discuss further, or have any questions please give me a call.

Cheryl Wenezenki-Yolland
Associate Deputy Minister

Attachment

This is Exhibit "Y" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
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Ministry of Finance**BRIEFING DOCUMENT**

To: Honourable Michael de Jong, Q.C. **Date Requested:** January 13, 2016
Minister of Finance **Date Required:** March 14, 2016

Initiated by: John Mazure **Date Prepared:** March 14, 2016
ADM and General Manager
Gaming Policy & Enforcement Branch

Ministry Contact: John Mazure
ADM & General Manager
Gaming Policy & Enforcement Branch

Phone Number:

Email:

347858

TITLE: Enforcement Strategy to Combat Illegal Gambling in British Columbia

PURPOSE:

(X) FOR DECISION

Executive Director approval: _____

ADM approval: _____

Associate DM approval: _____

DATE PREPARED: March 14, 2016

TITLE: Enforcement Strategy to Combat Illegal Gambling in British Columbia

ISSUE:

There is evidence based on police investigations that the use of legal and illegal gambling by organized crime for the purpose of laundering money is substantial. There is currently no dedicated or integrated enforcement response to unlawful activities within gaming facilities or illegal gambling in BC between the province and RCMP. The Minister of Finance and Minister of Public Safety requested that the Gaming Policy and Enforcement Branch (GPEB) and Policing and Security Branch (PSB) provide a coordinated response to this concern in the fall of 2015.

Based on the direction provided, GPEB, PSB and the Royal Canadian Mounted Police (RCMP) are working to establish a specialized policing component within the Combined Forces Special Enforcement Unit British Columbia (CFSEU-BC). The Joint Illegal Gaming Investigation Team (JIGIT) will be funded by the British Columbia Lottery Corporation (BCLC) and will provide a dedicated, coordinated, multi-jurisdictional investigative and enforcement response to unlawful activities within BC gaming facilities (emphasis on anti-money laundering strategies) and illegal gambling in BC (emphasis on organized crime).

BACKGROUND:

- Gambling activities that contravene Part VII of the *Criminal Code* and occur either inside or outside of legal gaming facilities are a high risk to the overall integrity of gaming in BC. GPEB and BCLC report all known illegal gaming activities to the police of jurisdiction; however due to competing demands on police resources, these investigations often remain low priority for police.
- From 2003-2009, the Integrated Illegal Enforcement Team (IIGET)¹ investigated illegal gaming activities occurring outside of licensed gaming facilities such as illegal lotteries, common gaming houses, the distribution of illegal video lottery terminals, animal fights, bookmaking, and internet gaming. IIGET's budget was cut due to exigent funding pressure on the primary funder, BCLC, and a perceived lack of effectiveness. Since this time, investigations and enforcement of illegal gambling activities has been conducted by individual police departments in an ad-hoc manner with assistance from GPEB's compliance division where requested.
- Over the past year, GPEB has been made aware of reports of high stakes illegal gaming houses and other illegal activities related to gambling occurring in the lower mainland. These activities impact both the integrity of gaming and revenue generated by legal gaming facilities and is believed to support organized crime. GPEB is also aware of a prevalence of large cash transactions (LCT), often resulting in suspicious transaction reports (STR)², in BC gaming facilities.

¹ Signatories to IIGET's establishing Memorandum of Understanding (MOU) were the RCMP, Ministry of Public Safety and Solicitor General (Police Services Division) and the Ministry of Public Safety and Solicitor General (GPEB). The IIGET Consultative Board included representatives from Police Services Division, GPEB, RCMP, BC Association of Chiefs of Police, and BCLC (as outlined in the MOU).

² Suspicious transactions are financial transactions that you have reasonable grounds to suspect are related to the commission of a money laundering offence. This includes transactions with reasonable grounds to suspect are

- Both BCLC and GPEB have previously identified concerns to law enforcement about the potential for organized crime to utilize gaming facilities for the purpose of money laundering or the movement of proceeds of crime.
- Nationally, the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) creates data trails that are used by law enforcement to identify patterns and gather evidence of potential money laundering. In 2014/15, FINTRAC data shows that large cash transaction reports from casinos (all large-cash transactions and disbursements over \$10,000) from BC make up 72 per cent of the national total. Suspicious transactions reports from BC casinos are shown to account for 73 per cent of the national share. This indicates that this issue is primarily a BC problem given that the province only accounts for 24 per cent of casinos nationwide (17 out of 72).³
- In June 2015, GPEB and BCLC co-hosted an anti-money laundering workshop, *Exploring Common Ground – Building Solutions*. Attending organizations, including BCLC, law enforcement agencies, gaming service providers, private sector, and financial institutions, supported the creation of a dedicated enforcement unit for both illegal gambling and suspicious money in BC gaming facilities.

DISCUSSION:

- Following a meeting between the Minister of Finance and the Attorney General and Minister of Justice, with representatives from the RCMP, PSB, MoF and GPEB, the Director of Police Services requested the RCMP prepare a business case for the creation of a new enforcement team to address GPEB and BCLC concerns of illegal gaming houses and money laundering in BC's gaming facilities.
- The RCMP submitted a business case for establishing a coordinated enforcement approach in the form of a Joint Illegal Gaming Investigative Team (JIGIT) within the CFSEU-BC. The business case was based on the approval of a line item for JIGIT in BCLC's budget submission by Treasury Board of \$1.8 million for the first year and \$3.0 million for the balance of the fiscal planning cycle. The RCMP recommended a five year lifespan for JIGIT in order to ensure the broadest range of enforcement and prosecution activities could be undertaken by the team. As the commitment is five years, the province will need to identify a funding source for JIGIT in years 4 and 5. RCMP believes their model will disrupt top-tier organized crime and gang involvement in illegal gaming, will disrupt future expansion in this criminal domain, and will help preserve the integrity and reputation of the legal gaming industry.

Strategic objectives of the Joint Illegal Gaming Investigation Team

- There are two key strategic objectives:
 - Target and disrupt top-tier organized crime and gang involvement in illegal gaming; and
 - Prevent criminal attempts to legalize the proceeds of crime through gaming facilities.

related to the attempted commission of a money laundering offence. "Reasonable grounds to suspect" is determined by what is reasonable in each industry's circumstances, including normal business practices and systems within the gambling industry.

³ Source; 2012/13 Canadian Gambling Digest, *Table 1. Venues*. Found <http://www.cprg.ca/articles/Canadian%20Gambling%20Digest%202012-13.pdf>

- A secondary strategic objective for JIGIT is to have a clear public education function with respect to the identification and reporting of illegal gambling in BC with consideration of its provincial partners. Ensuring both a positive public perception and media coverage of investigations will maintain trust and confidence in the initiative as well as raise awareness of the provincial mandate.
- The strategic objectives will be formalized in the Team's mandate which will be developed jointly between GPEB, PSB and the RCMP/CFSEU-BC.

CFSEU-BC

- At present there are 14 law enforcement agencies integrated under the umbrella of CFSEU-BC. One of the 14 agencies is the Organized Crime Agency of British Columbia (OCABC) which was established as a Designated Policing and Law Enforcement Unit⁴ under the *Police Act*. When the CFSEU-BC was established in 2004 as an integrated joint forces operation, OCABC was moved under its purview.
- CFSEU-BC as an agency is strategically located throughout the province; and as such, would be in a strong position to significantly disrupt organized crime-connected with illegal gaming given the existing footprint, infrastructure, and support mechanism which is currently in place. Additional CFSEU-BC in-house specialty support sections cover areas such as surveillance, analytical teams, uniform enforcement, and forensic video analysis.
 - For example, JIGIT would be able to leverage support from the in-house Asset Forfeiture Investigation Team (AFIT), which assists CFSEU-BC investigative teams with their asset seizures in such areas as assembly and completion of material required for the BC Civil Forfeiture Office or Canada Revenue Agency referrals, as well as matters relating to the Currency Reading and Tracing System (CRATS) which is software that scans and records serial numbers of Canadian and American currency to aid in connecting cash to specific organized crime groups.
 - Having JIGIT physically housed within existing CFSEU-BC headquarters will provide easier access to CFSEU-BC assets and resources such as equipment and expertise.⁵ Furthermore, structuring JIGIT in the lower mainland will allow it to remain focused on the major risk area and not distracted by regional issues.

Governance

- Through the Ministry of Justice's (now Public Safety and Solicitor General [PSSG]) PSB, the provincial government provides overall direction respecting police services in the province and ensures there are adequate and effective levels of policing. Police agencies conduct investigations at arm's length from government, and government cannot interfere with or direct police in particular investigations.

⁴ As a Designated Policing and Law Enforcement Unit, the CSFEU-BC is an independent law enforcement unit with full police powers.

⁵ Operational costs expended by specialty support sections within CFSEU-BC are recovered by that Team by way of charge-back. The use of the support sections are budgeted within an operational plan which is approved by the Board of Governance prior to embarking on any complex investigation.

- Under the authority of the provincial *Police Act*, a designated policing and law enforcement unit such as OCABC which operates within CFSEU-BC requires that the Minister of Public Safety and Solicitor General establish and appoint a Designated Board to implement program strategies, priorities and performance management.
- The mandate of the CFSEU-BC/OCABC Designated Board of Governance includes strategic-level governance and provides a process to make certain that all teams including JIGIT are targeting top-tier organized crime and gang involvement in illegal gaming in BC. These Board members, which includes the Director of Police Services, represent various police agencies and jurisdictions.
- Within the strategic-level governance, the Board's responsibilities include reviewing and approving operational plans which are submitted prior to beginning an investigation, and the setting of unit performance measurements and outcomes. This oversight assists in budget forecasting and cost containment.
- Internally in the case of JIGIT, the Chief Officer of CFSEU-BC will utilize existing accountability mechanisms to monitor, assess, and provide quarterly reporting on the actions of JIGIT to the Board. CFSEU-BC also provides performance accounts to the RCMP "E" Division Investigative Services and Organized Crime (ISOC) bi-annual report as well as the bi-annual BC RCMP Performance Plan. The activities of JIGIT will form an additional chapter to the current reporting requirements.
- A key difference between the Integrated Road Safety Unit (IRSU) and the proposed JIGIT models relates to the governance structure. ICBC participates in the Traffic and Road Safety Enforcement Governance Council which ensures that all terms and conditions of the MOU are met, IRSU's primary responsibility is focused on pro-active enforcement of road safety priorities. Their mandate is provincial traffic enforcement and they are not funded for investigative or criminal responsibilities. In contrast, JIGIT which is funded to conduct criminal investigations. Unlike IRSU, it would be inappropriate for a government body such as GPEB or BCLC to sit on a governance body in order to protect the independence of the police investigations.

Establishment of JIGIT

- PSB is the provincial branch responsible for managing and providing oversight of the RCMP provincial contract. In the case of supplemental policing agreements and in its position as contract holder/manager for the RCMP, PSB acts as the go-between for the parties.
- Three service agreements will establish JIGIT and articulate operational principles, objectives and goals of the joint team and establishment of metrics;
 1. A Letter of Agreement between BCLC and GPEB will establish funding for JIGIT from BCLC to GPEB. This agreement will also define the terms and conditions between BCLC and GPEB;
 2. A Letter of Understanding between GPEB and PSB will outline purpose and intent of JIGIT, expectations and deliverables, budget, reporting requirements, metrics and financial terms such as cost and invoicing process, and; this may be preceded by a letter

from the Minister of Public Safety and Solicitor General to the Minister of Finance confirming the mandate of the RCMP has been confirmed.

3. A Letter of Understanding between PSB and the RCMP/CFSEU-BC will outline the mandate and operational requirements of JIGIT, budget, reporting requirements and performance metrics; this may be preceded by a letter from the Minister of Public Safety and Solicitor General to the RCMP confirming the mandate of the unit.
- Current information sharing agreements that exist between police and BCLC and the police and GPEB and decisions regarding these agreements remain with the parties.

Organizational structure of JIGIT

- Under the proposed RCMP staffing plan, 9 positions will be filled during the first year of operation (FY 16/17) with the remaining 13 positions filled in FY 17/18. This is in line with the funding structure provided.
- Fully staffed, JIGIT will be comprised of two teams; twenty- two multi-agency law enforcement positions consisting of two operational teams located at the RCMP "E Division" Headquarters (CFSEU-BC Green Timbers space, Surrey B.C.). This two-team model allows for greater flexibility and more efficient administration of cases compared to a single team. For example, while one team is working on a long-term investigation, the second team would be able to investigate shorter-term concerns or issues that require a fast response.
- GPEB will provide four (4) investigators to JIGIT to act as subject matter experts. Their activities will be limited to their current designated enforcement powers under the *Police Act*. As such, they will not do independent surveillance or require use of force options. These investigators will come from within GPEB's current staff complement. The CFSEU-BC has requested to be involved in the selection of personnel. Funding for these positions will remain the responsibility of GPEB and come from existing budgets.
- GPEB's Intelligence unit will work closely with CFSEU-BC's analytical staff. The GPEB Intelligence unit is currently developing its mandate and will ensure that it reflects the work they will do with the CFSEU-BC. GPEB's unit will also be trained as to how to collect, analyze and disseminate information in accordance with policing standards. This is to ensure that there is no risk to investigations being tainted by way of what is regulatory and what is criminal.⁶
- BCLC will play an active role by continuing to gather and report information to GPEB about any occurrence where the conduct, activity or incident involves the commission of an offence under the *Criminal Code*. GPEB will ensure that BCLC is kept informed when and where appropriate (GPEB / CFSEU-BC will ensure that BCLC is kept informed on a need-to-know

⁶ The integration of GPEB investigators into JIGIT will need to be carefully managed given the recent review resulting from the inability to lay charges in the Babine sawmill explosions in 2012. The review highlighted the requirement that investigations into regulatory and criminal matters must remain separate and be conducted accordingly (*Babine Explosion Investigation: Fact Pattern and Recommendations*, February 2014). Given the potential for cross-over between regulatory and criminal matters in gaming enforcement, this will need to be addressed in the service agreement. The role of GPEB investigators and the authorities they will require will be reviewed by the leadership of CFSEU-BC, PSB and GPEB's Compliance Division.

basis). This arrangement does not preclude BCLC from contacting the police of jurisdiction about criminal matters that are outside of JIGIT's mandate (e.g. theft of a patron's wallet).

- See Appendix I for Roles and Responsibilities of all parties.

Funding structure of JIGIT

- Funding for this initiative was included as part of the 2016/17 Budget and Financial Plan submission presented by BCLC to Treasury Board on January 28, 2016. The Plan included funding for a joint enforcement initiative; \$1.8 million in fiscal 2016/17, and \$3.0 million in each of 2017/18 and 2018/19..
- The current forecast, on a full year, ongoing basis are:
 - \$1,799,980 in FY 16/17
 - \$2,999,990 in FY 17/18 and 18/19
 - \$3,076,360 in FY 19/20
 - \$3,132,010 in FY 20/21
- See Appendix II for Joint Illegal Gaming Investigation Team budget.
- All provincial funds committed to the new illegal gambling Team within the CFSEU-BC would be fenced; no provincial funds allocated to JIGIT would be used for any other purpose. All funds would be directed towards maintaining investigations as per the three service agreements that will establish JIGIT. This is preferable to a general funding model in which revenues are used for a wide-variety of enforcement initiatives.
- Some special investigative costs related to ongoing investigations have been included in the budget. This includes costs related to wiretap and surveillance and document management for prosecution of complex investigations. There is no reasonable methodology to predict these costs, as they are situation specific to each investigation.
- In special circumstances should a more complex investigation require investigative costs above and beyond what has been budgeted for, CFSEU-BC would approach all interested parties to enter into an extraordinary cost-recovery agreement.

Unit evaluation & measures of success

- The RCMP/CFSEU-BC will develop clear performance metrics to assess the effectiveness of JIGIT in consultation with GPEB. These metrics will be established in the three JIGIT service agreements.
- In addition to traditional metrics (e.g., arrests and seizures), the CFSEU-BC will supplement these with unique qualitative and quantitative measures that relate to achieving mission success, impact on society, and demonstrated value for dollar to more fully express the performance as it relates to these proposed teams. The comprehensive performance strategy not only captures the key performance metrics related to inputs, activities, and outputs, but also information on outcomes and impacts.

- The five year model proposed by the RCMP is the most appropriate for establishing and evaluating impacts on crime disruption in the gaming environment. This is due to the fact that in the first year of operation, a new unit is typically staffing up, training and establishing its roles and responsibilities; by enabling four years of guaranteed operations, the unit will be able to gain expertise and retain staff while conducting longer-term complex investigations.
- It is proposed that a comprehensive review of JIGIT take place at the end of the second year of operation to determine whether the fully staffed team is able to deliver on its mandate. Another review would take place in the fourth year of operation to determine whether JIGIT should continue to deliver on its mandate after year five.

Communications

- External, public-facing communications of JIGIT activities, such as media releases and press conferences, are within CFSEU-BC jurisdiction. The three service agreements may include a commitment from the RCMP to proactively consult and include provincial partners where appropriate on communication materials and activities.

IMPLICATIONS OF THE JOINT ILLEGAL GAMING INVESTIGATION TEAM:

The establishment of the Joint Illegal Gaming Investigation Team is anticipated to have wide ranging implications;

Integrity of Gaming Implications:

- Disrupt top-tier organized crime and gang involvement in illegal gaming
- Disrupt future expansion in this criminal domain
- Disrupt criminal organizations who consider using gaming facilities or patrons as a vehicle to move illegitimate cash
- Help preserve the integrity and reputation of the legal gaming industry

Cost & Resource Implications:

- Significant upfront and long term cost implications to be borne by BCLC as the primary funder of the Team
- Current costs are known and to remain within approved budget
- Negotiation of extraordinary cost-recovery agreements may be required if there is a complex investigation that requires special investigative costs above and beyond what has been budgeted
- JIGIT may have a short-term and/or long-term impact on gaming revenues
- GPEB will shift 4 investigators away from current responsibilities to be integrated to the team; this would be consistent with risk-based allocation of resources

OPTIONS:

1. Approve the creation of JIGIT
2. Do not approve the creation of JIGIT

RECOMMENDATION – OPTION 1;

APPROVED / NOT APPROVED

Honourable Michael de Jong
Minister of Finance

Date

APPENDICES:

- APPENDIX I – Joint Illegal Gaming Investigation Team Roles and Responsibilities
- APPENDIX II – Joint Illegal Gaming Investigation Team Budget
- APPENDIX III – Statutory Enforcement Authority of BCLC, GPEB and Police

APPENDIX I – Joint Illegal Gaming Investigation Team Roles and Responsibilities

	Governance	Operations	Funding	Other
CFSEU-BC/JIGIT	<ul style="list-style-type: none"> • Day-to-day operations will be the responsibility of the JIGIT Team Commander who will report to the Chief Officer, CFSEU-BC through the Senior Management Team. • The Chief Officer and Senior Management Team will ensure that JIGIT activities and operations are on mandate. • CFSEU-BC/OCABC Board of Governance provides operational and strategic-level governance. 	<ul style="list-style-type: none"> • All operational aspects including: conducting investigations, collecting and analyzing all-source information and intelligence, and ensuring assets and monies derived from illegal gaming are identified and seized appropriately. 	<ul style="list-style-type: none"> • Fund 30% of total cost of the Team. 	<ul style="list-style-type: none"> • Provide additional speciality in-house support. • Provide quarterly performance and financial reports to GPEB and PSB on agreed upon metrics as outlined in the service agreement between PSB and the RCMP/CFSEU-BC. • Proactively work with all provincial partners on public communications/ announcements.
RCMP	<ul style="list-style-type: none"> • CFSEU-BC/OCABC Board of Governance includes the Commanding Officer "E" Division RCMP and senior officers. • Day-to-day reporting and oversight is through the Chief Officer, reporting to the 'E' Division RCMP Criminal Operations Officer in Charge of Investigation Services and Organized Crime. 			

Executive Director approval: _____

ADM approval: _____

Associate DM approval: _____

PSB	<ul style="list-style-type: none"> • CFSEU-BC/OCABC Board of Governance includes the Director of Police Services. • Management and oversight of the RCMP provincial contract. 	<ul style="list-style-type: none"> • Lead drafting of the 3 service agreements. • Act as the primary point of contact between the province and the CFSEU-BC. 		
GPEB		<ul style="list-style-type: none"> • Provide 4 subject matter experts to the Team. • Integrate GPEB's intelligence team with the CFSEU-BC analytics team. 	<ul style="list-style-type: none"> • Provide funding and resources for 4 integrated GPEB investigators. 	<ul style="list-style-type: none"> • Provide quarterly performance and financial reports to BCLC on agreed upon metrics as outlined in the service agreement between GPEB and BCLC.
BCLC		<ul style="list-style-type: none"> • Continue with current role of gathering and reporting information to GPEB and the police about relevant conduct, activity, or incidents. • AML analytical team will work with GPEB's intelligence unit to ensure that relevant data is collected, analyzed, and disseminated. 	<ul style="list-style-type: none"> • Fund 70% of total Cost of the Team. 	

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APPENDIX II – Joint Illegal Gaming Investigation Team Budget



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Template Updated: Nov 2015
FTE

Business Case Financial Outlook
Joint Illegal Gaming Investigation Team Business Case
Fiscal Year 2016/17 to 2020/21

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SALARY & ALLOWANCE PAY

	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21
RM	6.00	16.00	16.00	16.00	16.00
CM	1.00	2.00	2.00	2.00	2.00
TCE	-	-	-	-	-
IM's	-	-	-	-	-
PSE	2.00	4.00	4.00	4.00	4.00
TOTAL FTE	9.00	22.00	22.00	22.00	22.00
SALARY & ALLOWANCE PAY					
RM	\$ 555,000	\$ 1,464,000	\$ 1,501,000	\$ 1,538,000	\$ 1,577,000
CM	\$ 85,000	\$ 170,000	\$ 171,000	\$ 172,000	\$ 173,000
TCE	-	-	-	-	-
IM's	-	-	-	-	-
PSE	\$ 98,000	\$ 207,000	\$ 208,000	\$ 209,000	\$ 210,000
TOTAL SALARY	\$ 738,000	\$ 1,841,000	\$ 1,890,000	\$ 1,919,000	\$ 1,960,000
Allowance for RM's					
CST	\$ 15,000	\$ 52,000	\$ 53,000	\$ 54,000	\$ 55,000
CPL	\$ 5,000	\$ 15,000	\$ 15,000	\$ 16,000	\$ 16,000
SGT	\$ 8,000	\$ 13,000	\$ 14,000	\$ 14,000	\$ 14,000
S/SGT	\$ 8,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000
SGT/IM	\$ -	\$ -	\$ -	\$ -	\$ -
INSP	\$ -	\$ -	\$ -	\$ -	\$ -
SUPT	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL ALLOWANCE	\$ 34,000	\$ 89,000	\$ 91,000	\$ 93,000	\$ 94,000
TOTAL SALARY & ALLOWANCE	\$ 772,000	\$ 1,930,000	\$ 1,971,000	\$ 2,012,000	\$ 2,054,000

OPERATING COST

31 - Overtime - RM	48,000	131,000	133,000	136,000	139,000
240 - Rental of Land, Buildings & Works	-	-	-	-	-
223 - Radio Communications Systems - Services	88,900	88,900	92,400	92,400	92,400
52 - Training Travel	4,000	9,000	9,000	10,000	10,000
190 - Training & Seminars	10,000	25,000	26,000	27,000	27,000
580 - Other Expenditures	278,100	417,000	420,000	420,000	430,000
219 - Professional Services	8,000	22,000	22,000	23,000	23,000
191 - Training & Seminars - Unit Commander Authority	35,000	92,000	94,000	96,000	97,000
540 - Misc. Expenditures	-	-	-	-	-
TOTAL OPERATING COST	\$ 472,000	\$ 765,900	\$ 796,400	\$ 804,400	\$ 818,400

ONE TIME START-UP COSTS / CAPITAL / EVERGREEN

61 - Relocation - Regional/Divisional Staffing	\$ 38,800	\$ 95,200	\$ 22,400	\$ 60,000	\$ 60,000
580 - Vehicle Changeovers	\$ -	\$ -	\$ -	\$ -	\$ -
580 - Vehicles	\$ 320,000	\$ -	\$ -	\$ -	\$ -

1 S/Sgt, 2 Sgt's, 3 Cpl's, 10 Cst's
 2 ADM-05's, 2 CR-05's and 2 CR-04's
 A) 2 CR-05 IP positions (PSE) for investigative support & disclosure etc.
 2 CR-04's (PSE) for admin support
 Disclosure forecast is in RO 580
 Total 22 positions

Staffing Plan

Assume team commander and first team positions will be filled first.

	Apr-16	Apr-17	Total
S/Sgt	1		1
Sgt	1	1	2
Cpl	1	2	3
Cst	3	7	10
ADM-05	1	1	2
CR-05	1	1	2
CR-04	1	1	2
	9	13	22

Note for salary forecast:

- 1) Potential pay raises are projected at 2.5% for RM, 0.5% for CM and PSE.
 2) Severance is not included and subject to negotiation.

Estimated at \$8k per RM

PRIME levy @ \$1,000 per position + 14 radio costs
 DCRO estimated costs
 DCRO estimated costs
 Estimated operational costs under RO 580
 EHO GT overheads (Bus CT, Facilities, Commissionaires)
 B) Est. training costs in the US \$5k/per RM
 ** Internal budget adjustments to match approved funding **

C) Start-up costs are projected to be incurred in 16/17

Relocation forecast. Avg cost per file is about \$60k.

\$40k each for 8 covert vehicles in 16/17.

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APPENDIX II cont.



Template Updated: Nov 2015
 480 - Patrol Carabines (incl Training)
 841 - Computers, Investigative Equipment
 310 - Office fit-up & furnitures
 830 - Furniture & Fixtures
 900 - Other Equipment

Business Case Financial Outlook
Joint Illegal Gaming Investigation Team Business Case
Fiscal Year 2016/17 to 2020/21

Page 2 of 2

Revised Budget as of Feb 2016					
	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21
\$ 10,000	\$ 10,000	\$ -	\$ -	\$ -	\$ -
\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -
\$ 50,000	\$ 50,000	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL ONE TIME START-UP / CAPITAL	\$ 518,800	\$ 96,200	\$ 22,400	\$ 60,000	\$ 60,000
TOTAL COSTS (before Indirect Costs)	\$ 1,762,800	\$ 2,012,100	\$ 2,709,800	\$ 2,876,400	\$ 2,932,400
INDIRECT COSTS					
Pensions: RM - CM - IM	\$ 163,200	\$ 416,100	\$ 427,900	\$ 437,700	\$ 448,000
Pensions: PS - TCE	16,700	34,900	35,300	35,700	36,100
EI: RM - CM - IM	8,200	21,700	22,200	22,800	23,300
EI: PS - TCE	2,700	5,500	5,700	5,800	6,000
Div Admin - RMs, CMs, TCEs, IMs	172,200	453,900	465,200	476,800	488,800
EHQ Green Timbers Accommodation Charge	390,000	390,000	390,000	390,000	390,000
Recruitment & Training					
Recruitment	8,300	23,000	23,000	23,000	23,000
DEPOT	22,300	62,100	62,100	62,100	62,100
PDSTC	-	-	-	-	-
PROS (per member)	-	-	-	-	-
PRIME (per member)	-	-	-	-	-
National Programs:					
Public Complaints Commission (PCC)	3,500	8,900	8,900	8,900	8,900
Enhanced Reporting & Accountability	1,200	3,100	3,200	3,200	3,300
Legal Advisory Services	800	2,200	2,200	2,200	2,200
Centralized Services (these will decrease Div Admin)					
Pay & Compensation	7,900	20,400	20,400	20,400	20,400
Accounting Operation	2,400	6,200	6,200	6,200	6,200
Shared Services - IT	9,200	23,600	23,600	23,600	23,600
INDIRECT COSTS	\$ 809,600	\$ 1,473,600	\$ 1,495,900	\$ 1,518,400	\$ 1,541,900
GRAND TOTAL @ 100%	\$ 2,571,400	\$ 4,285,700	\$ 4,285,700	\$ 4,394,800	\$ 4,474,300
TOTAL COST TO PROVINCE 70%	\$ 1,799,980	\$ 2,999,990	\$ 2,999,990	\$ 3,076,360	\$ 3,132,010

22 positions at EHQ GT @ \$15k each
 D) Add 4 Gaming Policy and Enforcement Branch (GPEB)
 investigators working at EHQ GT
 Total 26 positions at EHQ GT

Appendix III - Statutory Enforcement Authority of BCLC, GPEB and Police

	<i>Status</i>	<i>Gaming Control Act</i>	<i>Criminal Code of Canada</i>	<i>Proceeds of Crime (Money Laundering) Terrorist Financing Act</i>
GPEB	GCA Investigator and/or Auditor upon designation of the general manager. Special Provincial Constable upon appointment by provincial director of Policing and Security Branch.	GPEB Investigators have authority to investigate and to issue violation tickets in relation to offences under the GCA	Authority to investigate and enforce provisions of the CC, but these would be restricted to gaming matters or matters which impact the integrity of gaming. GPEB must notify local police when doing so.	No authority or responsibilities
BCLC	No peace officer status	BCLC has the authority to investigate matters related to corporate operations. Monitor compliance of gaming services providers. Monitor operation of provincial gaming or horse racing and the associated premises and facilities. Right to refuse entry. Conduct due diligence investigations in relation to assisting reporting requirement of PCMLFTA.	Authority to investigate matters related to corporate operations. General non-peace officer powers of arrest and protection of property.	Designated reporting entity responsible for anti-money laundering regime at casinos in the province.
Police	Police Officer	Can investigate and issue violation tickets in relation to the GCA.	Full jurisdictional enforcement authority. Can make arrests, issue appearance notices, recommend charges, etc.	Jurisdiction to investigate and enforce laws related to money laundering and proceeds of crime.
FinTRAC	Financial Intelligence Unit	N/A	N/A	Responsible for receiving and analyzing information from reporting entities, making disclosures to police on money laundering offences, and regulating and auditing reporting entities.

Executive Director approval: _____

ADM approval: _____

Associate DM approval: _____

This is Exhibit "Z" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1



OCT 01 2015

345904

Bud Smith, Chair
 Board of Directors
 British Columbia Lottery Corporation
 74 West Seymour Street
 Kamloops BC V2C 1E2

Dear Mr. Smith:

Re: Anti-Money Laundering Strategy

I want to acknowledge the British Columbia Lottery Corporation's (BCLC) active involvement in delivering on the Province's anti-money laundering (AML) strategy, and the work that has been done on the first two phases of that strategy including leading the development, implementation and promotion of cash alternatives in gaming facilities, and participating in recent discussions about exploring opportunities to enhance compliance in the area of cash entering gaming facilities. The purpose of this letter is to provide you with direction on phase three of the AML strategy which focuses on regulator guidance and intervention.

Despite the introduction and promotion of non-cash alternatives in gaming facilities through earlier phases of the AML strategy; I am advised that large and suspicious cash transactions remain prevalent. This situation must be addressed. As such, BCLC is directed to take the following actions with respect to AML:

1. Ensure that BCLC's AML compliance regime is focused on preserving the integrity and reputation of British Columbia's gaming industry in the public interest, including those actions set out in the General Manager's letter of August 7 (enclosed) and any subsequent actions or standards that may follow;
2. Participate in the development of a coordinated enforcement approach with the Gaming Policy and Enforcement Branch (GPEB), the RCMP and local police to mitigate the risks of criminal activities in the gaming industry; and
3. Enhance customer due diligence to mitigate the risk of money laundering in British Columbia gaming facilities through the implementation of AML compliance best practices including processes for evaluating the source of wealth and source of funds prior to cash acceptance.

.../2

- 2 -

These actions are in addition to, and in support of those activities identified in the August 7, 2015, letter from the General Manager of GPEB to BCLC. I would like to take this opportunity to acknowledge the response received from CEO and President Jim Lightbody, to the initiatives put forward in that letter. The diligence and detail provided on how BCLC will implement each activity is appreciated.

Thank you for your continued effort and commitment to protecting the integrity of gaming on behalf of the people of British Columbia.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Michael de Jong', with a stylized, flowing script.

Michael de Jong, Q.C.
Minister

Enclosure: Letter dated August 7, 2015, to BCLC from GPEB, *Enhancements to Anti-Money Laundering Regime in BC Gaming Facilities*

cc: Jim Lightbody, CEO and President, BCLC
John Mazure, ADM and General Manager, GPEB



Know your limit, play within it.

August 7, 2015

[345004]

Jim Lightbody
CEO and President
British Columbia Lottery Corporation
2940 Virtual Way
Vancouver BC V5M 0A6

Dear Mr. Lightbody

Re: Enhancements to Anti-Money Laundering Regime in B.C. Gaming Facilities

Pursuant to the Ministerial 2015/16 Mandate Letter to the British Columbia Lottery Corporation (BCLC), and work undertaken to date under the AML Strategy, I am requesting that BCLC increase its efforts to develop and promote the use of cash alternatives and implement enhancements to its due diligence and compliance program as part of its anti-money laundering (AML) regime in gaming facilities.

The 2015/16 Mandate Letter established as a specific strategic priority that:

"BCLC will use information provided by law enforcement to create actions and solutions to prevent money laundering in BC gaming facilities. GPEB will develop anti-money laundering standards, to which BCLC will respond. Additionally, BCLC will identify and implement strategies to increase the use of cash alternatives and measure and demonstrates this progress".

The multi-phased AML Strategy, begun in 2012, includes:

- Phase 1 - the development and implementation of cash alternatives;
- Phase 2 - the promotion of cash alternatives by gaming facility patrons; and
- Phase 3 - the consideration of regulatory guidance about potential additional measures for enhancing AML due diligence.

I want to acknowledge BCLC's active involvement in delivering the AML Strategy. This includes leading the development, implementation and promotion of cash alternatives in gaming facilities, and participating in recent discussions about exploring opportunities that will enhance compliance in the area of cash entering gaming facilities, including the recent workshop held on June 4th with AML stakeholders and experts.

Ministry of Finance

Gaming Policy and
Enforcement Branch
Assistant Deputy Minister's
Office

Mailing Address:
PO BOX 9311 STN PROV GOVT
VICTORIA, BC V8W 9N1
Telephone: (250) 387-1301
Facsimile: (250) 387-1818

Location:
Third Floor, 910 Government Street
Victoria, BC
Web: www.gaming.gov.bc.ca

To enhance the AML regime, BCLC is asked to pursue the following activities:

1. Develop and implement additional Customer Due Diligence (CDD) policies and practices constructed around financial industry standards and robust Know Your Customer (KYC) requirements, with a focus on identifying source of wealth and funds as integral components to client risk assessment. This assessment should be based upon suspicious currency transaction occurrences.
2. Develop and implement additional cash alternatives, focusing on furthering the transition from cash-based to electronic and other forms of transactions, and instruments, and exploring new ways to promote existing and new cash alternatives. These alternatives should form part of a broader strategy for increasing the use of cash alternatives in gaming facilities, including implementing a performance measurement framework and an evaluation plan to determine service provider participation.
3. Work with GPEB to develop processes and approaches to clarify roles and responsibilities around AML intelligence, analysis, audit and compliance activities. This includes considering information sharing and access to systems that support the AML strategy's elements.
4. Work with GPEB and other stakeholders such as FINTRAC to develop a BCLC public information and education strategy and action plan for government's review and approval. The plan should include coordinated messaging about anti-money laundering activities in gaming facilities, and outline the requirements, roles and responsibilities for identification, reporting, investigation and enforcement.

I would be happy to discuss any of the above with you further. I recommend that BCLC staff consult and review with GPEB staff on developing approaches and specific actions to implement the above activities.

Yours sincerely,



John Mazure
General Manager
Gaming Policy and Enforcement Branch

This is Exhibit "AA" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1



Know your limit, play within it.

January 15, 2016

347194

Jim Lightbody
CEO and President
British Columbia Lottery Corporation
2940 Virtual Way
Vancouver, BC V5M 0A6

Dear Mr. Lightbody

Re: Enhancement to Anti-Money Laundering Regime in B.C. Gaming Facilities

Thank you for your letter of September 16, 2015, regarding the efforts of the British Columbia Lottery Corporation (BCLC) to implement the multi-phased Anti-Money Laundering (AML) Strategy.

Thank you for highlighting BCLC's efforts in pursuing the four activities identified in my letter of August 7, 2015. Again, I wish to acknowledge BCLC's critical role in delivering the AML Strategy and efforts to date.

For clarity, I have set out my responses with respect to each of the four activities I requested in my original letter.

1. *Develop and implement additional Customer Due Diligence (CDD) policies and practices constructed around financial industry standards and robust Know Your Customer (KYC) requirements, with a focus on identifying source of wealth and funds as integral components to client risk assessment. This assessment should be based upon suspicious currency transaction occurrences.*

I appreciate the efforts of the BCLC in tracking and reporting suspicious cash transactions (SCTs). However, I continue to be concerned by the prevalence of SCTs at British Columbia casinos. Further to the letter from the Minister of Finance addressed to Mr. Bud Smith on October 1, 2015, I expect BCLC to implement AML best practices with appropriate consideration of evaluating the source of wealth and source of funds prior to cash acceptance as well as robust CDD policies and KYC requirements. These processes and policies should be based on a sound risk based framework that considers SCTs as one element of the framework. In addition, I may provide further direction after considering the work being undertaken by MNP LLP and the resulting report.

... /2

Ministry of Finance

Gaming Policy and
Enforcement Branch
Assistant Deputy Minister's
Office

Mailing Address:
PO BOX 9311 STN PROV GOVT
VICTORIA BC V8W 9N1
Telephone: (250) 387-1301
Facsimile: (250) 387-1818

Location:
Third Floor, 810 Government Street
Victoria, BC
Web: www.gaming.gov.bc.ca

2. *Develop and implement additional cash alternatives, focusing on furthering the transition from cash-based to electronic and other forms of transactions, and instruments, and exploring new ways to promote existing and new cash alternatives. These alternatives should form part of a broader strategy for increasing the use of cash alternatives in gaming facilities, including implementing a performance measurement framework and an evaluation plan to determine service provider participation.*

As I advised in my letter dated September 1, 2015, Gaming Policy and Enforcement Branch (GPEB) has provided approval in principle for BCLC to further explore the initiatives proposed in *"Cash Alternatives in BC Casinos"*. However, further work is required before GPEB can approve any specific cash alternative initiatives. Specifically, GPEB requires business cases on each of the proposed cash alternatives. These business cases should include detailed analysis of how the initiative will further the AML Strategy as well as a detailed risk assessment of the initiative.

GPEB has assigned a senior policy analyst, Jeff Henderson, to coordinate a review of these business cases and to work directly with Mr. Ross Alderson (BCLC) to ensure that the information that is required for decision making is fulsome and clear. This review may also be informed, where appropriate, by the work being undertaken by MNP LLP.

3. *Work with GPEB to develop processes and approaches to clarify roles and responsibilities around AML intelligence, analysis, audit and compliance activities. This includes considering information sharing and access to systems that support the AML Strategy's elements.*

To assist in this process, I have enclosed a matrix with this letter that reflects, at a high level, the roles and responsibilities of the police, GPEB and the BCLC with respect to the *Gaming Control Act* (GCA) and the *Criminal Code of Canada* (CCC). Moving forward, GPEB and BCLC need to ensure their activities are consistent with and adhere to the legislated framework provided. I expect Mr. Rob Kroeker (BCLC) and Mr. Len Meilleur (GPEB) will work together to ensure both organizations understand their roles and responsibilities with respect to compliance and enforcement generally, and in implementing the AML Strategy specifically.

4. *Work with GPEB and other stakeholders such as FINTRAC to develop a BCLC public information and education strategy and action plan for government's review and approval. The plan should include coordinated messaging about anti-money laundering activities in gaming facilities, and outline the requirements, roles and responsibilities for identification, reporting, investigation and enforcement.*

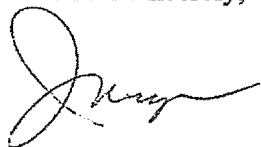
I propose that our Communications Officer, Niki Pandachuck work with BCLC's communication unit to develop an AML public information and education communication strategy and action plan, incorporating the work on roles and responsibilities noted above. GPEB will also coordinate with Government Communication and Public Engagement (GCPE) to ensure all communications are consistent with GCPE requirements and have been approved by GCPE.

I would also like to address the additional issue you raised in your letter concerning reports of high stakes illegal gaming houses in Richmond. GPEB acknowledges your concern about the impact of these unlawful activities on both the integrity of gaming and revenue generated through lawful gaming.

I would like to assure you that GPEB takes these illegal matters seriously. When gaming service providers or BCLC report matters of concern to GPEB, we work with the appropriate police agencies where there may be criminal matters related to gaming. GPEB is currently exploring opportunities to further strengthen our relationship with relevant police agencies. As a result, it is important that BCLC and its service providers continue to fulfill their obligations under the CCC and GCA and file reports with GPEB and the appropriate police agencies.

I would be happy to discuss any of the above with you further and look forward to further collaboration between GPEB and BCLC in delivering the AML Strategy.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Mazure', with a stylized, flowing script.

John Mazure
General Manager
Gaming Policy and Enforcement Branch

Table of Responsibilities and Authorities - GPEB, BCLC, Police Agencies and FinTRAC.

	<i>Status</i>	<i>Gaming Control Act</i>	<i>Criminal Code of Canada</i>	<i>Proceeds of Crime (Money Laundering) Terrorist Financing Act</i>
GPEB	GCA Investigator and/or Auditor upon designation of the general manager. Special Provincial Constable upon appointment by provincial director of police services.	GPEB Investigators have authority to investigate and to issue violation tickets in relation to offences under the GCA	Authority to investigate and enforce provisions of the CC. but these would be restricted to gaming matters or matters which impact the integrity of gaming. GPEB must notify local police when doing so.	No authority or responsibilities
BCLC	No peace officer status	BCLC has the authority to investigate matters related to corporate operations. Monitor compliance of gaming services providers. Monitor operation of provincial gaming or horse racing and the associated premises and facilities. Right to refuse entry. Conduct due diligence investigations in relation to assisting reporting requirement of PCMLFTA.	Authority to investigate matters related to corporate operations. General non-peace officer powers of arrest and protection of property.	Designated reporting entity responsible for anti-money laundering regime at casinos in the province.
Police	Police Officer	Can investigate and issue violation tickets in relation to the GCA.	Full jurisdictional enforcement authority. Can make arrests, issue appearance notices, recommend charges, etc.	Jurisdiction to investigate and enforce laws related to money laundering and proceeds of crime.
FinTRAC	Financial Intelligence Unit	N/A	N/A	Responsible for receiving and analyzing information from reporting entities, making disclosures to police on money laundering offences, and regulating and auditing reporting entities.

This is Exhibit "BB" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1



JAN 29 2016

348024

Bud Smith, Chair
 Board of Directors
 British Columbia Lottery Corporation
 2840 Virtual Way
 Vancouver BC V5M 0A6

Dear Mr. Smith:

This Mandate Letter confirms your organization's mandate, provides government's annual strategic direction and sets out key performance expectations for the 2016/17 fiscal year.

On behalf of the province of British Columbia (BC), thank you for your leadership and the contributions made by the British Columbia Lottery Corporation (BCLC) over the past year and congratulations on the efforts made towards the following achievements:

- Exceeding the 2014/15 net income target of \$1.193B by \$61.5M, while contributing to the integrity of gambling through the conduct and management of gambling in a socially responsible manner;
- Enhancing existing anti-money laundering (AML) programs to ensure compliance with new federal AML regulations and the focus on promoting and enhancing cash alternative options in B.C.'s gaming facilities;
- Completing three commitments that pertain to the Corporation in the Plan for Public Health and Gambling released in February 2015;
- Taking substantive action on the recommendations made by Internal Audit & Advisory Services (IAAS).

Last year, government established a common set of principles for the BC public sector organizations. The intent of the Taxpayer Accountability Principles (TAP)-is to strengthen accountability and promote cost control. These principles instill a common frame of reference to inform decisions and ensure that the actions taken and services provided meet public policy objectives established by government on behalf of the citizens of BC.

.../2

Ministry of Finance

Office of the Minister

Mailing Address:
 PO Box 9048 Stn Prov Govt
 Victoria BC V8W 9J2
 Telephone: 250 387-3751
 Facsimile: 250 387-5594

Location:
 501 Belleville Street
 Parliament Buildings, Victoria
 website:
www.gov.bc.ca/fin

- 2 -

All public sector organizations are expected to understand the responsibility they have to the citizens of BC and how it is complimentary to the fiduciary duty to their organizations.

One of government's core values is respect for the taxpayer's dollar. It is critical that public sector organizations operate as efficiently as possible, in order to ensure British Columbians are provided with effective services at the lowest cost possible. This requires constant focus on maintaining a cost-conscious and principled culture through the efficient delivery of services that stand the test of public scrutiny and help develop a prosperous economy in an environmentally sustainable manner. The foundation of this work is the government's commitment to controlling spending and balancing the budget.


Government provided the following mandate direction to BCLC under the *Gaming Control Act*:

The Lottery Corporation is responsible for the conduct and management of gaming on behalf of the government.

To achieve this mandate, BCLC is directed to take the following strategic actions:

1. BCLC will optimize the Corporation's financial performance and sustain net return to the Province in accordance with government policy and directives under the *Gaming Control Act* and Treasury Board direction, and in alignment with the Taxpayer Accountability Principles by:
 - a) Responding to customer and marketplace demands seeking new business opportunities that are consistent with the approved framework.
 - b) Each quarter, BCLC will provide reports to the Ministry of Finance staff that provide financial forecasts, and discuss and identify issues and risks.
 - c) BCLC, in consultation with the Ministry of Finance, will complete the development of an implementation plan based on the direction provided by government resulting from the comprehensive cost containment and commission structure reviews, and market strategy work to address customer and marketplace demands. BCLC will submit the implementation plan for approval by the Minister of Finance by September 30, 2016.
 - d) BCLC will provide a revised comprehensive cost containment ratio framework to the Ministry and Treasury Board for approval.

BCLC will undertake this strategic action in a manner that contributes to the integrity of gambling through the conduct and management of gambling in a socially responsible manner.

.../3 

- 3 -

2. BCLC will substantially complete implementation of the recommendations from the *Review of the British Columbia Lottery Corporation (December 2014)* by IAAS, by March 31, 2017. BCLC will provide written quarterly progress updates beginning March 31, 2016, and other information as required, to the Minister of Finance.
3. Building on existing progress, BCLC will submit bi-annual progress reports to the Minister of Finance and the General Manager of GPEB on the implementation of the commitments BCLC is responsible for in the *Plan for Public Health and Gambling (February 2015)*. BCLC will also continue to participate with its partners in the implementation of all the commitments until complete.
4. BCLC will provide a quarterly report to the Minister of Finance on the implementation of the government's Anti-Money Laundering (AML) Strategy and mitigation of related illegal activities. This will include, but not be limited to:
 - a) Activities undertaken to ensure the Corporation's compliance regime is focused on preserving the integrity and reputation of BC's gaming industry in the public interest;
 - b) Participation in the development of, and provide funding to support, an enhanced coordinated enforcement approach with the Gaming Policy and Enforcement Branch, the RCMP and local police to mitigate the risk of criminal activities in the gaming industry;
 - c) The implementation of anti-money laundering compliance best practices with appropriate consideration of evaluating the source of wealth and source of funds prior to cash acceptance within a risk based framework;
 - d) Providing input to the Ministry of Finance in the development of a public information and education strategy and action plan for government's review and approval.

To achieve this, several actions as detailed in the 2014 TAP Transition Letter, are to continue to be implemented and refined, such as, on-going orientation, the joint strategic engagement plan, and the evaluation plan. For detailed information about TAP directives, please refer to the following link [Taxpayer Accountability Principles](#).

In addition, it is expected that your organization will continue to be diligent in ensuring familiarity with and adherence to statutory obligations and policies that have broad application across the public sector. Please refer to the following link for a summary of these accountabilities, [PSO Accountability Summary](#).

Government is committed to continuing to revitalize the relationship between government and PSOs. This strong focus on increased two-way communication supports and ensures a common understanding of government's expectations.

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- 4 -

Timely communication of any issues which may affect the business of BCLC and/or the interests of government is critical to building trust and the effective delivery of public services, including information on any risks to achieving financial forecasts and performance targets.

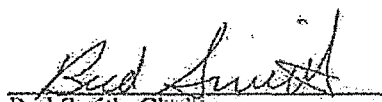
Each board member is required to acknowledge the direction provided in the Mandate Letter by signing this letter. The Mandate Letter is to be posted publicly on your organization's website and a copy signed by all board members provided to the ministry and made available to the public upon request.

I look forward to our regular meetings focusing on strategic priorities, performance against the TAP, key results and working together to protect the public interest at all times.

Sincerely,


Michael de Jong, Q.C. Date:
Minister of Finance

Signed by:


Bud Smith, Chair
British Columbia Lottery Corporation

10/2/2016
Date

Christina Anthony, Director
British Columbia Lottery Corporation

Date

Trudi Brown, Director
British Columbia Lottery Corporation

Date

.../5

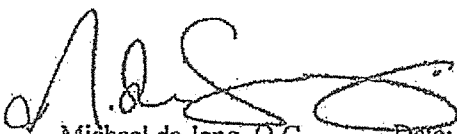
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I look forward to our regular meetings focusing on strategic priorities, performance against the TAP, key results and working together to protect the public interest at all times.


Sincerely,



Michael de Jong, Q.C. Date:
Minister of Finance

Signed by:

Bud Smith, Chair
British Columbia Lottery Corporation



Christina Anthony, Director
British Columbia Lottery Corporation

Trudi Brown, Director
British Columbia Lottery Corporation

Date

02/10/16

Date

Date

.../5

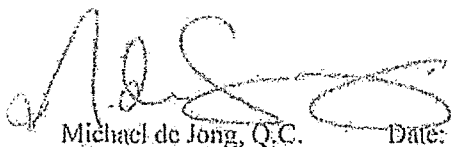
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Each board member is required to acknowledge the direction provided in the Mandate Letter by signing this letter. The Mandate Letter is to be posted publicly on your organization's website and a copy signed by all board members provided to the ministry and made available to the public upon request.

I look forward to our regular meetings focusing on strategic priorities, performance against the TAP, key results and working together to protect the public interest at all times.

Sincerely,



Michael de Jong, Q.C.
Minister of Finance

Date:

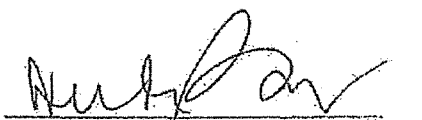
Signed by:

Bud Smith, Chair
British Columbia Lottery Corporation

Date

Christina Anthony, Director
British Columbia Lottery Corporation

Date

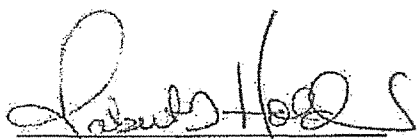


Trudi Brown, Director
British Columbia Lottery Corporation

Feb 2016.
Date

.../5

- 5 -



Robert Holden, Director
British Columbia Lottery Corporation

Feb. 10, 2016
Date:

Wendy Lisogar-Cocchia, Director
British Columbia Lottery Corporation

Date

Moray Keith, Director
British Columbia Lottery Corporation

Date

Matthew Watson, Director
British Columbia Lottery Corporation

Date

Andrew Brown, Director
British Columbia Lottery Corporation

Date

cc: Honourable Christy Clark
Premier

John Dyble
Deputy Minister to the Premier and Cabinet Secretary

Kim Henderson
Deputy Minister
Ministry of Finance

- 5 -

Robert Holden, Director
British Columbia Lottery Corporation

Date

W. Lisogar-Cocchia

Wendy Lisogar-Cocchia, Director
British Columbia Lottery Corporation

2/10/2016

Date

Moray Keith, Director
British Columbia Lottery Corporation

Date

Matthew Watson, Director
British Columbia Lottery Corporation

Date

Andrew Brown, Director
British Columbia Lottery Corporation

Date

cc: Honourable Christy Clark
Premier

John Dyble
Deputy Minister to the Premier and Cabinet Secretary

Kim Henderson
Deputy Minister
Ministry of Finance

.../6


- 5 -

 Robert Holden, Director
 British Columbia Lottery Corporation

 Date

 Wendy Lisogar-Cocchia, Director
 British Columbia Lottery Corporation

 Date


 Moray Keith, Director
 British Columbia Lottery Corporation

 Date

February 5/16

 Matthew Watson, Director
 British Columbia Lottery Corporation

 Date

 Andrew Brown, Director
 British Columbia Lottery Corporation

 Date

cc: Honourable Christy Clark
 Premier

John Dyble
 Deputy Minister to the Premier and Cabinet Secretary

Kim Henderson
 Deputy Minister
 Ministry of Finance

.../6

- 5 -

Robert Holden, Director
British Columbia Lottery Corporation

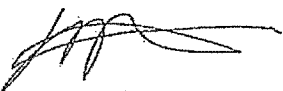
Date

Wendy Lisogai-Cocchia, Director
British Columbia Lottery Corporation

Date

Moray Keith, Director
British Columbia Lottery Corporation

Date



Matthew Watson, Director
British Columbia Lottery Corporation

11 February 2016
Date

Andrew Brown, Director
British Columbia Lottery Corporation

Date

cc: Honourable Christy Clark
Premier

John Dyble
Deputy Minister to the Premier and Cabinet Secretary

Kim Henderson
Deputy Minister
Ministry of Finance

.../6

- 5 -

Robert Holden, Director
British Columbia Lottery Corporation

Date

Wendy Lisogar-Cocchia, Director
British Columbia Lottery Corporation


Date

Moray Keith, Director
British Columbia Lottery Corporation

Date

Matthew Watson, Director
British Columbia Lottery Corporation

Date



Andrew Brown, Director
British Columbia Lottery Corporation

2 / 11 / 16

Date

cc: Honourable Christy Clark
Premier

John Dyble
Deputy Minister to the Premier and Cabinet Secretary

Kim Henderson
Deputy Minister
Ministry of Finance

.../6

- 6 -

Cheryl Wenezenki-Yolland
Associate Deputy Minister
Ministry of Finance

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

Jim Lightbody
Chief Executive Officer and President
BCLC

Attachment: Taxpayer Accountability Principles

17 

This is Exhibit "CC" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1



Know your limit, play within it.

July 14, 2016

351679

Jim Lightbody, CEO and President
British Columbia Lottery Corporation
2940 Virtual Way
Vancouver BC V5M 0A6

Dear Mr. Lightbody,

Ré: Cash Alternative Proposals and Source of Funds

This letter is in response to the two policy documents proposing cash alternatives that were submitted to the Gaming Policy and Enforcement Branch (GPEB) on April 20, 2015 by Ross Alderson of the B.C. Lottery Corporation (BCLC).

Thank you for sharing these documents and I appreciate the work BCLC has undertaken in preparing these proposals. While there is no requirement for BCLC to seek GPEB approval of these specific proposals in and of themselves, I appreciate the opportunity to review them and provide comment in the broader context of government's anti-money laundering (AML) efforts. Indeed, BCLC has appropriately characterized both proposals as AML initiatives because they provide alternatives to cash entering or leaving gaming facilities. Fundamental to the success of these initiatives and B.C.'s AML Strategy as a whole, however, is the need to evaluate the source of funds and make a risk-based determination of their legitimacy prior to acceptance.

Due diligence on source of funds resulting from the cash alternatives proposed is important to ensure the AML Strategy is not undermined by providing a means to convert illicit funds. In the case of convenience cheques, the conversion would occur upon provision of a convenience cheque by the service provider. In the case of international EFTs, BCLC would be relying primarily on information provided to Canadian institutions from a foreign bank and ultimately the robustness of that country's banking system, their AML legislation and, specifically, that they will investigate source of funds. The Province has previously provided written direction to BCLC to establish the source of funds prior to accepting cash at gaming facilities:

1. **In the 2016/17 mandate letter to BCLC**, the Minister of Finance directed BCLC to provide a quarterly report on implementation of the government's AML Strategy, including "implementation of anti-money laundering compliance best practices with appropriate consideration of evaluating the source of wealth and source of funds prior to cash acceptance within a risk based framework."

Ministry of
Finance

Gaming Policy and
Enforcement Branch
Office of the Assistant
Deputy Minister and
General Manager

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Location:
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Victoria, BC

Web: www.gaming.gov.bc.ca

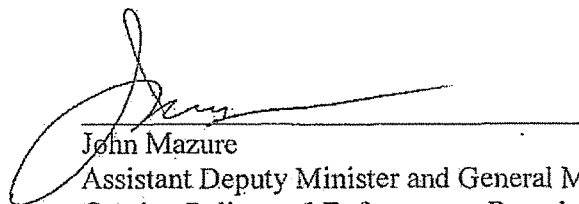
2. **The January 2016 letter from John Mazure, General Manager, GPEB, to Jim Lighbody, CEO and President, BCLC, included the expectation that "BCLC implement AML best practices with appropriate consideration of evaluating source of wealth and source of funds prior to cash acceptance."**
3. **In the October 2015 letter from the Honourable Michael de Jong, Minister of Finance to Bud Smith, BCLC Board Chair, BCLC was directed to take the following action in response to the prevalence of large and suspicious cash transactions: "Enhance customer due diligence to mitigate the risk of money laundering in British Columbia gaming facilities through the implementation of AML compliance best practices including processes for evaluating the source of wealth and source of funds prior to cash acceptance."**
4. **The August 2015 letter from John Mazure, General Manager, GPEB, to Jim Lighbody, CEO and President, BCLC, asked BCLC to pursue specific activities related to enhancing the AML Strategy, including: "Develop and implement additional Customer Due Diligence (CDD) policies and practices constructed around financial industry standards and robust Know Your Customer (KYC) requirements, with a focus on identifying source of wealth and funds as integral components to client risk assessment..."**

In providing comments to BCLC on the cash alternative proposals, I understand that FINTRAC also emphasized the need to establish source of funds to ensure the proposed cash alternatives do not introduce additional risks with respect to money laundering.

To ensure the Province is taking the steps necessary to eliminate the proceeds of crime from B.C. gaming facilities and to support the AML Strategy and the integrity of gaming in B.C., BCLC should contemplate not accepting funds where the source of those funds cannot be determined or verified, within a risk-based framework. This approach could include, for example, a source of funds questionnaire and a threshold amount over which BCLC would require service providers to refuse to accept unsourced funds, or a maximum number of instances where unsourced funds would be accepted from a patron before refusal.

I trust that BCLC will continue to work with GPEB to support the AML Strategy and the integrity of gaming in B.C. by evaluating source of funds prior to acceptance at gaming facilities.

Yours sincerely,



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

This is Exhibit "DD" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1

August 3, 2016

Gaming Policy & Enforcement Branch
PO BOX 9311 STN PROV GOVT
Victoria BC V8W 9N1

Attention: John Mazure
Assistant Deputy Minister and General Manager



Dear Mr. Mazure:

Re: Anti-Money Laundering Matters – Cash Alternative Proposals

I write in regard to your letter of July 14, 2016, and further to the two proposals we provided to you for approval on April 20, 2016 dealing with new non-cash transaction options at casinos.

At GPEB's request the proposals were submitted for approval however it is now the common understanding as between our respective organizations, based on recently acquired information, that GPEB approval is not required in regard to operational gaming matters such as these. I would like to take this opportunity to thank you for taking the time to review and comment on the proposals notwithstanding.

In your letter you have set out a number of excerpts from earlier correspondence between you and I, and from the Minister to the BCLC Board Chair, reminding us of the expectations of BCLC's anti-money laundering regime. I thank you for those reminders and can assure you that BCLC's obligations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) are an ever present top priority for BCLC. Furthermore, I can confirm that BCLC remains committed to working with GPEB and FinTRAC to ensure our anti-money laundering program is fully compliant and one of the most robust in the industry. I am very pleased to share that just recently (June 2016) FinTRAC completed a comprehensive audit of BCLC's anti-money laundering program and commented that BCLC was industry leading in its anti-money laundering efforts.

I appreciate your suggestion that BCLC ensure its new proposals are conducted within a risk based anti-money laundering framework, and specifically that on a risk basis source of wealth and source of funds inquiries should form part of that framework. I can confirm that source of wealth and source of funds inquiries are in fact incorporated into the BCLC anti-money laundering program and will apply to the proposals when implemented along with all the other program elements aimed at countering money laundering.

With respect to the proposal on electronic funds transfers, you state that "... BCLC would be relying primarily on information provided to Canadian institutions from a foreign bank and ultimately the robustness of that country's banking system...". I believe some clarification is required here. BCLC will not be relying on the anti-money laundering efforts of foreign banks. BCLC will, however, be relying to some extent on the compliance of Canadian banks with Canadian anti-money laundering laws governing international transfers. Under our proposal, electronic funds transfers must first be accepted by a Canadian bank prior to being transferred into a customer's gaming account. BCLC will also subject transactions to its own anti-

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T 604.215.0649
F 604.225.6424
bclc.com

money laundering measures independent of the Canadian bank's assessment. This will ensure that foreign transfers are subjected to two layers of anti-money laundering screening.

Thank you again for taking the time to provide us with your comments and feedback.

Sincerely,



Jim Lightbody
President & CEO

This is Exhibit "EE" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY

Barrister & Solicitor

1519 Amelia Street

Victoria BC V8W 2K1



British Columbia Gaming Policy Enforcement Branch

AML Report

Private & Confidential

PREPARED FOR: Dave Boychuk
Gaming Policy Enforcement Branch
3rd Floor, 910 Government Street
Victoria, BC V8W 1X3

PREPARED BY: MNP LLP
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1.0 TERMS OF REFERENCE

- 1.1 MNP was engaged by British Columbia's ("BC") Gaming Policy and Enforcement Branch ("GPEB") on September 8, 2015. MNP was directed to work directly with senior GPEB managers to:
- a. Analyze current practices in respect of source of funds, source of wealth, handling of cash, use of cash alternatives and overall Customer Due Diligence ("CDD") in gaming facilities compared to financial institutions;
 - b. Analyze best practices in the gaming sector in relation to 'know your customer' frameworks, particularly in respect of the regulatory framework in British Columbia, as set out in the Gaming Control Act [S.B.C 2002, c. 14];
 - c. Assess British Columbia Lottery Corporation ("BCLC's") Customer Due Diligence ("CDD") regime and overall compliance with the above-noted practices;
 - d. Receive information from the General Manager (as defined in the *Gaming Control Act*) or delegate regarding certain transactions, and assess this information in the context of compliance with a, and b above;
 - e. Identify immediate near term actions to be taken in order to address any gaps and provide recommendations on longer term new solutions or enhancements to current practices; and
 - f. Provide any other recommendations to address any gaps identified in the above-described analysis.
- 1.2 This engagement is not an audit and did not include any control testing. The findings and recommendations are based on information obtained through interviews as well as observations made at the River Rock Casino Resort ("RRCR" or "River Rock") and at BCLC.
- 1.3 We have not independently verified the information provided to us from any source. We reserve the right to review all information included or referred to in our report and, if we consider it necessary, to revise our report in light of any new information which becomes known to us after the date of the report.
- 1.4 Our findings and recommendations are based upon our observations and understanding as at the completion of our field work on January 22, 2016. Actions taken by GPEB, BCLC, or any other party to respond to matters described in our report have not been assessed by MNP.
- 1.5 Our Report is intended to be read in its entirety. We caution against drawing conclusions from any part of our Report in isolation. Our findings are based on procedures performed and information available to us as of the completion of our field work. Instruction to proceed with further analysis and information received subsequent to this date may significantly alter our findings.
- 1.6 The field work, interviews and the corresponding report was prepared independently and objectively by the authors.

2.0 BACKGROUND

- 2.1 The Gaming Policy and Enforcement Branch ("GPEB") Compliance Division compiled a document which identified approximately \$13.5 million in \$20 bills being accepted at RRCR in Richmond during July 2015. Information provided to MNP, containing synopsis details indicated as being sourced from the iTrak system by GPEB, indicated unsourced cash from unknown persons or persons believed to be connected to or participating in illicit activity, was dropped off at the casino or "just-off" casino property for patrons at unusual times, generally late at night. This information caused increased concern and prompted action to be taken by GPEB to review the current practices regarding large volumes of unsourced cash being accepted at RRCR.
- 2.2 Law enforcement intelligence has indicated that this currency may be the direct proceeds of crime. The majority of this cash is being presented by persons commonly referred to as high roller Asian VIP clients. Single cash buy-ins in excess of \$500,000 with no known source of funds have been accepted at RRCR.
- 2.3 GPEB considers the regulatory requirements imposed by the *Gaming Control Act* and the *Federal Proceeds of Crime (Money Laundering) and Terrorist Financing Act* ("PCMLTFA") and its associated regulations to be a minimum standard of conduct. GPEB is mindful of its responsibility for the integrity of gaming including mitigating the risks of money laundering in gaming facilities.
- 2.4 In addition to the regulatory reporting obligations imposed on BCLC by the PCMLTFA in its operation of the casinos in British Columbia ("BC"), GPEB has an interest in reducing the influx of unsourced cash into gaming facilities in BC to protect the integrity of gaming in BC. In our view, this can only be accomplished through the acknowledgement, from all parties, that the proceeds of crime may be being injected into the gaming system despite the controls in place. The reduction of unsourced cash and the expulsion of high risk patrons will contribute to the goal of maintaining the integrity of the gaming system.
- 2.5 In conducting our review we identified that there are three distinct entities in the casino gaming model in BC:
- The Gaming Policy and Enforcement Branch;
 - The British Columbia Lottery Corporation; and
 - The Facility Operator/Service Provider.
- 2.6 GPEB¹ regulates all legal gaming in BC. It ensures the integrity of gaming industry companies, people and equipment, and investigates allegations of wrongdoing. This mandate includes regulatory oversight of BCLC (which conducts and manages lotteries, casinos, community gaming centres and commercial bingo halls), all gaming services providers and gaming workers, BC's horse racing industry and licensed gaming events.

¹ <https://www.gaming.gov.bc.ca/legislation-policies/>



2.7 In addition, GPEB is responsible for the following:

- Conducting audits of charitable and commercial gaming activities to ensure compliance;
- Investigating regulatory offences and providing support to police of local jurisdiction for the investigation of criminal offences connected to gaming facilities²;
- Managing the Province's Responsible Gambling Strategy including the Problem Gambling Program, in order to minimize harm and promote responsible gambling practices; and
- Distributing gaming funds to community organizations.

2.8 According to the BCLC website³, BCLC is a Crown Corporation, owned by the Province of BC it was established to meet the requirements of the Criminal Code of Canada, and balance the need for revenue generation with a commitment to social responsibility and integrity. In 1998, the Province added casino gambling to this mandate and made BCLC responsible for the operation of the casino industry in BC.

2.9 BCLC is responsible for managing the following:

- Setting and overseeing operating standards;
- Creating policies and procedures for all gambling facilities, including security and surveillance;
- Monitoring private sector Service Providers to ensure they conform to policies and procedures, to legislation, regulations and federal anti-money laundering laws; and
- Improving security systems, procedures and employee training programs.

2.10 According the BCLC website, Service Providers⁴ are the companies who own and operate BC gambling facilities. They own or lease gambling facilities like casinos and community gaming centers and maintain the facility operations on a day-to-day basis. With respect to gaming, Service Providers enter into operational service agreements with BCLC and earn commissions based on gambling revenues. They must operate in strict adherence to the rules and regulations set out by both BCLC and GPEB.

2.11 Service Providers are responsible for:

- Complying with terms of registration and reporting matters as required under the *Gaming Control Act* and *Gaming Control Regulations*;
- Providing and maintaining facilities;
- Hiring qualified staff;

² <https://www.gaming.gov.bc.ca/legislation-policies/docs/regulatory-responsibility-gpeb-bclc.pdf>

³ <http://corporate.bclc.com/what-we-do/casinos/our-role.html>

⁴ <http://corporate.bclc.com/what-we-do/casinos/service-providers.html>



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- Following BCLC gambling standards, policies and procedures;
 - Implementing the anti-money laundering program as prescribed by BCLC;
 - Providing and operating surveillance equipment;
 - Managing slot machines, table games and bingo games;
 - Providing accounting and financial management; and
 - Participating in compliance reviews and audits.
- 2.12 Service Providers are paid a commission based on the net gambling revenue for providing day-to-day services in casinos, community gaming centres and bingo halls. There are two different kinds of commissions:
- An operating commission for operating the facility; and
 - A facility development commission which provides incentive for Service Providers to develop high quality facilities.
- 2.13 The Service Provider implements procedures in response to BCLC's policies, however, as the profit of the operator would be adversely impacted by implementing any control procedures that may reduce revenue, there is an inherent risk that the implemented procedures are designed to meet minimum regulatory requirements. Any guidance from the Province on the reduction of bulk cash will need to be implemented through additional policy from BCLC.



3.0 SCOPE OF REVIEW, APPROACH AND LIMITATIONS

3.1 MNP relied on the following documents and information sources for reference throughout the engagement:

- Background documents provided by GPEB related to the subject matter;
- BCLC organizational charts (November 2015);
- RRCR organizational charts (November 26, 2015);
- BCLC Policies and Procedures (2015);
- BCLC internal procedure documents (2015);
- Data extracts regarding regulatory reports filed between September 1, 2013 and August 31, 2015;
- Website information from BCLC;
- *Gaming Control Act BC*; and
- *PCMLTFA and Regulations*.

3.2 To obtain independent information on the current regime and the prevalence of bulk cash, MNP conducted a total of 23 interviews with employees and management of both RRCR and BCLC. These interviews, with the exception of one conducted with senior management of BCLC, were all done in conjunction with a GPEB Compliance Division auditor assigned by GPEB. Some interviews and operational walkthroughs at RRCR were also observed by a second member of the GPEB Compliance Division. MNP also conducted onsite observations at RRCR which included process walkthroughs for activities relating to acceptance of bulk cash, record keeping and regulatory reporting. MNP also conducted limited statistical analysis of cash transactions related to VIP patron activity at the RRCR.

3.3 Information was gathered through 11 interviews with management level staff from a number of relevant areas of the operations at RRCR including table games, slots, cash cage, VIP Hosts, surveillance and security. Senior Management was interviewed to obtain insight into the operations and policies of accepting large amounts of unsourced cash from patrons. In addition to the interviews, we observed operations on the gaming floor and in the cash cages on both the main gaming floor and VIP gaming areas (Salon Privé and Salon Phoenix) asking questions of staff to confirm documented policies and confirm information provided through the interview process.

3.4 12 interviews were conducted at BCLC to provide staff and management an opportunity to provide feedback, clarify policies and procedures and gain insight into the issues at hand.

3.5 Data regarding reportable cash transactions or play records was provided by BCLC for trending analysis. The period of data used for trending was September 1, 2013 to August 31, 2015. The data was used to identify trends and correlations between the frequencies of Large Cash Transaction Reports ("LCTRs"), the filing of Suspicious Transaction Reports ("STRs") and the ultimate banning of some players due in part to large and frequent play with unsourced cash.



- 3.6 During our analysis an error in the statistical reporting was identified and communicated to BCLC. This error related to the over reporting of non-cash transactions deposited to Patron Gaming Fund Accounts ("PGF") and the redeposit of funds from cashed out chips back into the PGF. BCLC advised they were aware of the issue and was in the process of obtaining a Policy Interpretation from the Financial Transactions and Analysis Centre of Canada ("FINTRAC"). This error resulted in significant over reporting of non-cash transactions to FINTRAC. As a result of the over reporting being included in the produced statistical play records, MNP was unable to determine the actual number and amounts of large cash transactions and as such this limited our ability to obtain reliable results from our data analytics. Due to the complexity of the reporting issue, it is not possible to segregate and remove duplicate transactions. There is no identifier to confirm new cash to the facility versus funds previously played and retained in the PGF for future game-play.
- 3.7 This report does not represent a comprehensive review of all aspects of the existing AML compliance processes. As such, we are not expressing an opinion regarding the adequacy, completeness or effectiveness of existing compliance activities as they relate to anti-money laundering or anti-terrorist financing activities. This engagement was not designed to nor does this report provide any analysis about whether money laundering or terrorist financing is actually occurring, nor does it provide any analysis about the potential that money laundering or terrorist financing will occur through the organization in the future.



4.0 SUMMARY OF FINDINGS/RECOMMENDATIONS

GPEB:

- 4.1 Regulatory regimes for gaming typically seek to balance revenue generation with risk mitigation. Contemplated changes to the gaming regulatory regime must recognize the unique role of each of the main participants, as these roles may create conflicting mandates. Specifically:
- GPEB is the regulator, primarily responsible for ensuring that gaming is conducted with integrity;
 - BCLC is the manager of gaming, primarily responsible to the Province for revenue generation and risk management and responsible to FINTRAC for regulatory compliance; and
 - The Service Providers are the gaming operators, and, via contract with BCLC, are primarily responsible for revenue generation for both the Province and the companies that own the casinos.
- 4.2 Currently, casinos are only required to report LCTRs after they have accepted the cash transaction. GPEB should consider implementing a policy requirement that Service Providers refuse unsourced cash deposits exceeding an established dollar threshold or to refuse frequent unsourced cash deposits exceeding an established threshold and time period until the source of the cash can be determined and validated.
- 4.3 GPEB should continue to work with BCLC to support cash-alternatives for Service Providers to receive funds, strengthening the overall compliance regime with minimal impact on revenue generation.
- 4.4 GPEB, BCLC, and to some extent the Service Providers should jointly evaluate the resourcing and functioning of existing investigative units. Effective multi-agency units would promote the sharing of information and resources.

BCLC:

- 4.5 If GPEB implements a policy regarding the refusal of large or frequent unsourced cash deposits, BCLC's procedures to address the policy should include refresher training to Service Providers pertaining to BCLC's reporting requirements of attempted transactions to ensure reports are appropriately identified.
- 4.6 Although a specific compliance effectiveness review of gaming operations was not within the scope of this review, MNP did review a number of processes and did not observe anything material to suggest that the compliance program in effect at BCLC and RRCR is not functionally suitable to meet obligations under the PCMLTFA and implementing regulations.



- 4.7 BCLC's CDD process meets Federal regulatory requirements for standard risk patrons. However, the process could be enhanced from both a risk management and revenue generation perspective with modifications and additional resources to meet Enhanced Due Diligence ("EDD") expectations for high risk patrons. This may include confirmation or verification of key customer data including: source of wealth; source of cash; and occupation by the Service Provider or BCLC for higher risk patrons. The gathering of this additional information may assist the Service Provider in providing enhanced service to high valued patrons.
- 4.8 BCLC should consider whether its risk assessment process adequately reflects current thinking around money laundering and terrorist financing risk. The risks associated to specific facilities should be evaluated, rather than simply drawing geographic boundaries for risk.
- 4.9 BCLC should review its EDD process to ensure it appropriately mitigates identified risks. Additional resources may be required to clear the current backlog and support timely completion of the EDD process as required. BCLC should also identify reliable sources of information for persons and businesses based outside of Canada.
- 4.10 BCLC should prioritize and appropriately resource the ongoing SAS implementation project to improve the quality of the data used for ongoing risk assessment and compliance monitoring and reporting. Data from other sources, particularly slot machine play, should be incorporated into the process. Improved data will support province-wide monitoring of activities posing compliance risks.
- 4.11 BCLC should ensure that reporting forms used by the facilities are up to date and include valuable information fields for mandatory completion for unsourced or high volume cash transactions such as source of funds, source of wealth and purpose and intended nature of relationship information. Facility staff should be regularly trained on the completion of the forms. This will encourage consistent and appropriate reporting across the Province.
- 4.12 BCLC's anti-money laundering training programs should be evaluated for up-to-date content and effectiveness. Emphasis should be placed on behavioural red flags, as facility staff have the direct customer interaction. Training should be provided in the primary language of the candidate.
- 4.13 MNP identified instances where non-cash transactions processed to RRCR's PGFs were over-reported to FINTRAC, and instances where mandatory fields in LCTRs were left blank. Both issues are contrary to the PCMLTFA and require remediation and disclosure to FINTRAC. BCLC advised they were aware of the over-reporting issue and were working with FINTRAC to obtain a Policy Interpretation and determine action to be taken regarding the issue.
- 4.14 While generally consistent with the regulatory requirements, the Know Your Patron ("KYP") framework at River Rock is a task-driven compliance activity rather than a risk management activity. Given the Service Provider's inherent motivation to maximize revenue, it should not be expected to lead compliance and risk management efforts within the gaming industry. BCLC should provide further guidance as the manager and responsible entity for AML regulatory obligations to enhance and enforce appropriate KYP measures.



5.0 DETAILED FINDINGS/RECOMMENDATIONS

Staffing Observations

BCLC:

- 5.1 Operating levels for BCLC Investigators may need to be reviewed as the current staffing levels assigned to River Rock do not appear to be sufficient to address the volume of reports and incidents on a timely basis. In interviews with BCLC, investigators have self-assessed that approximately 95% of their time is focused on AML reporting activities. Non-compliance tasks which used to be completed by investigators located at RRCR are now being assigned to other investigators with the Lower Mainland region. Additional duties included in the mandates of the investigators at RRCR may not be being completed or may not be adequately completed to manage the risk associated with the activity at River Rock.

Service Provider:

- 5.2 Experienced managers and supervisory staff who are fully engaged and fully executing on their entire position mandate are able to identify risks within their areas of supervision and apply reasonable assessments and measures to address activity which may be considered unusual. This becomes a first line of defense when identifying potential compliance issues. However, due to high turnover at the Service Provider, management level positions are held by incumbents who have been in the positions less than one year. When asked about issues and risks related to large volumes of unsourced cash being accepted, they advise they are still learning the positions, and feel they are meeting all requirements associated with AML compliance.
- 5.3 Positions with recent turnover at RRCR include: Interim Chief Compliance Officer, Table Games Manager, Cage Manager, Slot Director, and the Manager of Player Relations. RRCR has undergone significant turn over in staff including three terminations which further resulted in four additional resignations in table games supervision. At the time of the onsite interviews eight of ten Relief Gaming Manager positions were staffed.
- 5.4 RRCR employs VIP hosts who report to the manager of Marketing. VIP Hosts are responsible for managing the client experience, which includes managing the amounts of complementary items and services given to players (commonly referred to as player comps), and providing custom gaming experiences with the intention of maximizing patron play. VIP hosts have the most significant interaction and knowledge of the VIPs and ability to flag instances of receipt and use of unsourced cash for suspicious transaction reporting. Due to the reporting structure, we would expect that the VIP Hosts have a primary responsibility for revenue generation rather than regulatory compliance or a social responsibility to reduce illicit cash flow. Consideration should be given to cross functional reporting lines to the Director, Table Games for a consistent approach to compliance across all table game points of access susceptible to the acceptance of unsourced cash.



- 5.5 It was noted on the Service Provider Organizational Chart, dated November 26, 2015 that the Manager, Player Relations did not have a direct reporting relationship to Senior Management. The Director, Surveillance does not show a reporting line to Senior Management. A VP Compliance position reporting to the President and CEO also did not exist on the Chart.

Compliance Program observations

GPEB:

- 5.6 GPEB should define its accepted level of risk for unsourced cash and then develop clear roles and responsibilities for:
- GPEB – Regulator, Enforcement
 - BCLC – Manage gaming and reporting entity
 - Service Provider – Risk identification

BCLC:

- 5.7 BCLC is the reporting entity for the purpose of compliance with PCMLTFR obligations to FINTRAC. AML programs were the responsibility of the Casino Investigations Unit up to 2013. The AML unit was created in 2013 and at that time took over responsibility for all aspects of the AML Program.

Enhanced Due Diligence ("EDD")

BCLC:

- 5.8 Through iTrak, BCLC has access to all Know You Patron/Player ("KYP") due diligence, activity records and incident reports including Unusual Financial Transactions ("UFTs"), Suspicious Transaction Reports ("STRs"), and Section 86 reports submitted to GPEB regardless of the facility of play. This allows BCLC to identify patrons at a provincial level who represent higher risks and then perform EDD, risk assessment and ongoing monitoring of these patrons.
- 5.9 BCLC has identified two segments of patrons who have been assessed as requiring EDD to manage the risk of the frequency and value of play. The first segment is comprised of the Top 100 players by volume. The second list, known as the Conditions List, relates to known associates of a high risk player who has been identified by law enforcement to be involved in the provision of large volumes of unsourced bulk cash to VIP patrons. In some instances, the lists overlap. For example, at the time of the review, 36 patrons identified on the Conditions List also appear on the Top 100 list.
- 5.10 All EDD efforts undertaken by BCLC are manual investigations. At the current time, systems do not identify higher risk patterns through an automated alert system. iTrak does not have capabilities for business analytics.
- 5.11 The EDD or "Deep Dive Dossiers" are created using open source information to identify owned properties and business ownership. The one file reviewed during the interviews with BCLC did not include key information such as a synopsis of overall activity, play value or frequency, determined or verified source of funds or wealth information, or an indication of whether the player was cleared for play or had restrictions in place. The file did not present any negative findings, however, the player was indicated as being "on watch."



- 5.12 There is limited open source information available for Chinese Nationals, which comprise the majority of the identified high risk demographic at RRCR. As, most of the VIP patrons are Asian and many are recent immigrants to Canada or Chinese Nationals there is limited Canadian open source information on which to base risk assessment determinations.
- 5.13 Based on staffing levels and time required to complete an EDD file in the current manner there is a considerable backlog of files to be completed which may increase the risk to all stakeholders as appropriate actions may not be taken in a timely manner. It is anticipated that the volume of patrons requiring ongoing EDD will increase over time.
- 5.14 The Service Provider facilitates gaming through slot machines as well as table games. As at the time of the review, we were not made aware of any EDD on business relationships created due to slot play. In addition there is no review or analytics on slot play including ongoing review of Cash Disbursement Reports ("CDRs") to identify possible anomalies which require further investigation.
- 5.15 BCLC's EDD program for high risk patrons was reviewed to identify if improvements are warranted. EDD measures could be more qualitative, and a formal response to specified risk ratings, similar to other jurisdictions such as Alberta, could be created.
- 5.16 Outsourcing the EDD process for higher risk patrons should be considered to clear the current backlog.

Service Provider:

- 5.17 The Service Provider gathers required information from patrons at particular trigger events during play. This would include when a patron reaches the threshold for the reporting of large cash transactions, which is \$10,000. The Service Provider is responsible for requesting that an acceptable identification document be produced and then recording the type, number and place of issuance as well as gathering mandatory information required for BCLC to file regulatory reports with FINTRAC. Information includes name, address, occupation and date of birth. Policy indicates that the ID document is scanned into the iTrak system. Information gathered at the facility, other than the ID document, is not verified by the Service Provider.
- 5.18 The iTrak system is universal to all facilities under BCLC's supervision. User access controls limit the amount of KYP information visible to individuals at the Service Provider level. This means that a Service Provider is unable to see the full picture of a patron's activity across all BC casinos to assess the risk a player brings to a particular facility.

Investigative Capabilities

GPEB:

- 5.19 The establishment of a dedicated, cooperative inter-agency AML investigations unit comprised of GPEB and BCLC investigators would delineate the roles between operational and AML investigations and regulatory compliance investigations. This would allow for improved tracking of activities related to regulatory compliance and ensure that employees tasked with compliance and risk management are suitably resourced.

**BCLC:**

- 5.20 BCLC has three onsite investigators at RRCR. This was a result of the recognition of the increased risk at the facility as well as the volume of play that requires ongoing BCLC oversight. These investigators have access to iTrak and the facility's surveillance recordings which allow for prompt investigations. AML compliance investigations are supposed to be a component of the investigators duties as defined by BCLC procedures, however the significant volume of reportable transactions at RRCR and the required reporting due diligence are consuming upwards of 95-100% of investigators' time. Regional investigators not assigned to RRCR are now being regularly assigned all non AML duties at RRCR such as theft or patron complaint investigations as the local investigators do not have time to deal with non-regulatory matters.
- 5.21 BCLC investigators regularly provide information to law enforcement on ongoing investigations.

Redacted
- RCMP

Redacted -
RCMP

- 5.22 BCLC has entered into an information sharing agreement with the RCMP that allows both parties to share intelligence on ongoing investigations and high risk patron activity.

Service Provider:

- 5.23 MNP has significant experience working with gaming operators and as such has observed numerous surveillance operations including infrastructure and investigative methodologies and procedures. The RRCR's infrastructure is comparable to other large Canadian casino surveillance operations such as Casino Montreal or Manitoba's combined provincial facility. The operators and supervisors have significant experience in surveillance operations and utilize iTrak to monitor and report all suspicious activity. iTrak is the most common investigative and operations management software utilized by Canadian Casinos.



iTrak

Systems and Data

BCLC:

- 5.24 BCLC identified a growing need for enhanced capabilities in relation to analytics and the ability to conduct meaningful analysis on the data in its custody. As a result, the AML Operational Analysis Group was formed in 2013 with the mandate to perform statistical analysis of patron transaction data as well as to identify high risk patrons and perform enhanced due diligence on those individuals. With the hire of an AML data analyst in February 2014 it was determined that the data analytics capabilities of iTrak were limited and that exporting the data and using third party tools such as Excel were the preferred method. These limitations led to the identified need for a formal analytics solution and an RFP was issued. SAS was selected as the vendor. The implementation of this software tool is ongoing and has been subject to numerous delays and a work stoppage to clarify scope and estimate over runs. We understand that SAS is scheduled for roll out in the fall of 2016. This is 18 months later than initially anticipated. The successful implementation of this tool should be a priority for BCLC as the current processes are contributing to delays in effectively conducting transactional analysis.
- 5.25 Despite the limitations of the current tools, [Redacted - RCMP] This information was then shared with law enforcement agencies for the purpose of investigating criminal activity related to the large volumes of unsourced cash. After several attempts by BCLC to refer information, law enforcement undertook an investigation into the activities identified through the BCLC analytics. [Redacted - RCMP] This is a positive effort by BCLC to detect and report suspicious activity with the intent of reducing unsourced cash from entering the gaming facilities.
- 5.26 BCLC provided data to MNP for the period September 1, 2013 to August 31, 2015 ("the Period") to analyze transactional data regarding the volumes of unsourced cash being accepted at River Rock. The analysis would also address efforts taken by BCLC and the Service Provider to gather Know Your Player ("KYP") or CDD information and perform EDD where appropriate; file STRs; and where appropriate impose bans on high risk patrons for participating in suspicious activity. After conducting significant analytical work it was determined, and confirmed by BCLC, that the data was not accurate and included significant numbers over-reported LCTRs and CDRs making trending analysis unreliable. For further details on the reporting issue, refer to 5.32. We were able to make the following limited observations:
- Play with significant volumes of cash was being conducted by patrons with non-Canadian addresses and identification, primarily Chinese; and
 - While significant volumes of LCTRs were filed during the Period the number of STRs filed was relatively small and the number of bans for potential money laundering activity was few.
 - 41,187 LCTRS filed during the period;



- 1,194 STRs filed during the period⁵;
- 1,209 BCLC Prohibition Bans⁶.

- 5.27 The limitations of the current analytics tools and the time required to manually process transactions diminishes the effectiveness of a monitoring program for slot disbursements. The risk of money laundering is significantly lower with slots than with table games, due to the limits on how much money can be fed into a machine in one session as well as the limits on single payouts for Ticket In Ticket out ("TITO") ticket redemption at Ticket Redemption Kiosk ("TRK") machines. Although the risk is lower than table games, due diligence on large volumes of slot CDRs should be monitored for suspicious activity.
- 5.28 Completion of the SAS implementation should remain a high priority for BCLC. Improved data analytics and systems for transaction monitoring and reporting will allow for the early detection of potential money laundering or high risk transactions.
- 5.29 The analytic capability of the iTrak system limits BCLC's AML Operational Analysis group in its ability to identify suspicious activity. The reporting is primarily restricted to the identification of thresholds that aid in the identification of mandatory record keeping or reporting. BCLC has made significant investments in advanced analytics in the proposed SAS solution. The continued development and rollout of this product needs to be a priority for BCLC to allow it to conduct meaningful assessment of the data collected in iTrak.

Reporting

BCLC:

- 5.30 Casinos are required to file the following reports with FINTRAC:
- Large Cash Transaction Reports;
 - Casino Disbursement Reports;
 - Suspicious Transaction Reports; and
 - Terrorist Property Reports.
- 5.31 MNP did not conduct an audit of the processes surrounding reporting requirements, nor of the accuracy or timeliness of the reports submitted to FINTRAC. Through interviews and observation MNP is able to make summary comments on the reporting requirements at the Service Provider and by BCLC, who is responsible for filing the reports from information provided by the facility operators.

⁵ STRs identified by incident number which could relate to multiple people.

⁶ Bans are also based on incident numbers and could relate to multiple people and include site bans.



- 5.32 Observed processes appear to be in place to track instances where cash transactions require the completion and filing of reports. This may be done through buy-ins at the table or through transactions at the cash cage. However, it was ascertained that funds credited to a player's PGF, regardless of the source of funds (Cash, drafts or EFTs from a Canadian bank) are being over-reported as cash. This is resulting in a significant number of unnecessary LCTR and CDR reports. In addition, withdrawals from the PGF account for play are being reported as CDRs and appear to be re-reported as cash based on table buy-ins. Review of the transaction and reporting process for all PGF enabled facilities should be done immediately to stop the number of unnecessary and incorrect reports. This over reporting has been disclosed to FINTRAC.
- 5.33 During our interviews with the Service Provider, BCLC, and GPEB, there was ongoing reference to a historical undocumented threshold of \$50,000 which was the trigger value to consider a transaction suspicious at the Service Provider location. The issue of the threshold preceded this report. FINTRAC guidelines confirm there is no minimum dollar value related to the filing of an STR. Suspicious transactions are financial transactions where there is reasonable grounds to suspect they are related to the commission of a money laundering offence. This includes transactions that you have reasonable grounds to suspect are related to the attempted commission of a money laundering offence. As a result, BCLC has undertaken a review of LCTR transactions to determine if STR transactions had been overlooked. BCLC made a self-disclosure to FINTRAC regarding the issue in December 2015.
- 5.34 BCLC's Internal Audit group conducts a Quality Assurance ("QA") of STR and unfiled UFTs. Audit conducts a review regarding timeliness of filings on LCTRs. The BCLC Investigations group also has a process and procedure in place to verify reports for mandatory information. It was noted through our data analysis of the data provided by BCLC that 385 (0.1%) of LCTRs did not contain one of the mandatory fields such as address, occupation or a unique identifier. Of the 41,187 reports contained in the data file:
- 297 addresses were reported as Null
 - 49 occupations were reported as Null
 - 39 reports contained no unique identification number, but rather a generic BCDL or similar descriptor.
- 5.35 A review of the BCLC policy and procedure documents allows for Service Provider staff to accept cash transactions at the cash cage and submit files with certain missing mandatory occupation information if the patron declines to provide full information⁷. Currently casinos are only required to report LCTRs after they have accepted the cash transaction. A directive from GPEB may support BCLC in the creation of a policy which would mandate the Service Provider to decline a transaction or issue a stop play when mandatory occupation data is not provided on the casino floor or at the cash cage. Submitting reports with missing mandatory information is contrary to the PCMLTFA and Regulations.

⁷ Reference to BCLC Casino and Community Gaming Centre Standards, Policies and Procedures section 1-2.3.



5.36 BCLC should review all of the FINTRAC reporting (LCTR/CDR) for non-cash for all facilities which offer PGF accounts due to over-reporting of LCTRs and CDRs in relation to churn⁸ within the patron gaming accounts.

5.37 Review of Terrorist Property reports was out of scope for the review.

Identification and Reporting of UFTs

BCLC:

5.38 BCLC is the reporting entity for gaming activities in BC and is responsible for filing all required reports with FINTRAC. BCLC operates at an arm's length from the facility and relies heavily on the Service Provider to identify instances where UFTs should be submitted for further review and decision making regarding suspicious activity that would require filing. As the Service Provider only has visibility to the patron's activity at its own facility (or facilities) within the iTrak system it may under- or over-report based on restricted intelligence.

5.39 BCLC Internal Audit provided feedback that UFT/STR reports are inconsistent in the assessment approach and narrative format from the Service Providers which may lead to valid UFTs not being reported by BCLC.

5.40 The BCLC investigators assigned to gaming facilities are currently reviewing 10-15% of LCTRs to determine if STR reports should be filed. This method of review does not appear to be effective as it did not identify the existence of the ongoing practice of only reporting transactions above an undocumented \$50,000 threshold.

5.41 BCLC has access to complete patron activity records, however does not conduct facility or province-wide monitoring and analytics due to system capability restrictions and resourcing.

5.42 BCLC's and the Service Provider's monitoring and reporting activities did identify the issue of large volumes of unsourced and unusual cash activity in October 2014, which resulted in an ongoing law enforcement investigation and the 60+ high risk patron registry.

5.43 Other industries, such as Money Service Businesses ("MSBs") have similar reporting models. The reporting entity (BCLC) with access to full data information should be conducting the bulk of the comprehensive monitoring and identifying transactions for review based on analytical indicators. The Service Provider should be responsible for filing UFTs that involve behavioural information or indicators for money laundering activity to BCLC. In many instances, the behavioural red flag information will supplement the data report which will provide valuable and wholesome information to FINTRAC when submitted by BCLC.

5.44 BCLC should create a template for UFT reports to ensure that all required information is included and to create consistency in the quality of submissions between facilities.

⁸ Churn is the terminology where a patron buys in with the same cash which they previously played with and cashed out. As a result, an active player can appear to be bringing in and cashing out large amounts of cash, which the iTRAK system records as new and separate funds for each transaction.



Service Provider:

- 5.45 From observations and interviews conducted with RRCR staff, the majority of UFTs are identified by surveillance rather than floor staff who have direct interaction with the patron. Employees (floor staff) are not required to document UFT interactions or provide narratives. Relying only on Surveillance observations increases the risk of missing behavioral red flags from direct interactions.
- 5.46 UFT witness narratives (form/document) are not completed by floor staff. Floor staff should have more active involvement in the reporting process as surveillance only has limited information based on video surveillance.
- 5.47 The Service Provider indicated that additional guidance on UFT reporting would be beneficial to meet the needs and expectations of BCLC and would make the process more effective for both entities. Additional on-site training was provided by BCLC in December 2015. Review of the training materials for the on-site training was not in the scope of the current engagement.

Risk Based Approach

BCLC:

- 5.48 As the FINTRAC reporting entity, BCLC is required to take on the role of conducting facility risk assessments. This is consistent with other Canadian jurisdictions. BCLC has developed its risk assessments by region. RRCR is included in the Lower Mainland risk assessment. This is not consistent with other jurisdictions in Canada who conduct their reviews by facility. As facilities are not operated by a single vendor they have inherent differences in their internal procedures. The patron base varies by facility as well, including a wide variance in the number of VIP patrons and their volume of play. We recommend that these risk assessments include factors specific to the facility. RRCR, for example is unique in its VIP play and warrants specific attention to its risks and the ongoing mitigation measures.
- 5.49 We also observed that the risk register is not as granular as other jurisdictions we have reviewed. We recommend that BCLC consider if the risk register reflects the current environment.

Know Your Patron (KYP) or standard CDD

- 5.50 Understanding the patrons using BC's gaming facilities is a line of defense against the use of illicit funds. KYP goes beyond recognizing a frequent player or knowing the time of day that they come into play and details about their family. It is about understanding the potential money laundering risk the patron poses to the facility and managing that risk accordingly.
- 5.51 PCMLTF Regulations⁹ require the identification of business relationships, ongoing monitoring and risk assessment of the business relationships as well as the implementation of appropriate special measures to mitigate high risk relationships. One measure is the gathering and verification of source of funds and source of wealth information.

⁹ Reference PCMLTFR 71.1



GPEB:

- 5.52 GPEB, at the direction of the Minister responsible for gaming, should consider issuing a directive pertaining to the rejection of funds where the source of cash cannot be determined or verified at specific thresholds. This would then provide specific guidance for BCLC to create policies and procedures for compliance by all operators.

BCLC:

- 5.53 BCLC investigators do not investigate to confirm the source of funds or source of wealth unless specifically requested at the time an EDD file is created.
- 5.54 BCLC AML manuals and training content appears to be sufficient, however additional training for employees in the VIP area focused specifically on suspicious indicators and required actions to improve independent thinking would be beneficial.
- 5.55 It was observed that most of the employees in the high limits rooms at RRCR speak Cantonese or Mandarin as a first language. Although the game play must be conducted in English, the language of general communication amongst the employees was not English. The mastery of a technical subject as defined in the BCLC Anti Money Laundering online training may be impacted by the presentation of the materials solely in English. BCLC should consider providing training in the primary language of its high risk exposed employees.
- 5.56 Based on the results of GPEB and the Minister responsible for gaming's risk assessment and risk threshold for large unsourced cash transactions, BCLC should revise policies regarding tolerance of high risk play and consequences of unacceptable high risk activity.

Service Provider:

- 5.57 From interviews and observations at the Service Provider, it is determined that source of funds and/or source of wealth information is not gathered for high risk, high volume cash players. Customer profiles do not require this information for continued play except when opening a PGF.
- 5.58 KYP at the Service Provider is based on repetitive observation of high limit player behaviour (no information is verified), and the expectation that BCLC is responsible for all due diligence activities. Additional information on the player is not shared with the Service Provider and is maintained in the iTrak system, to which only BCLC has full access. This process, and the associated accountability gaps, may have contributed to an organizational de-sensitization to cash through continued exposure to high volume bulk cash, especially in the VIP areas.

Business Relationship Risk

BCLC:

- 5.59 BCLC is in the process of fully implementing the Business Relationship requirements and has identified a list of 670+ high risk patrons. This list is in addition to the previously referenced Top 100 list and the Conditions list which currently includes 75 patrons. The AML and Operational Analysis team is in the process of doing deep dives, however there is a considerable backlog.



- 5.60 At the time of the review, the Top 100 list contained 36 names also appearing on the Conditions list of 75 patrons. Of the 36 names, only 13 had received a comprehensive EDD review. Of all the patrons appearing on Top 100 list, a total of 34 files had received Comprehensive EDD review.
- 5.61 BCLC is working on enhancements to their loyalty program, "Encore" which is intended to increase the amount of carded play which will provide additional KYP for analytics especially for slot play.
- 5.62 As a result of the BCLC's identification of patrons associated to the criminal investigation of unsourced cash utilization, 60+ individuals associated with the activity have been identified for EDD, restricted play and interviews with the BCLC's staff.

Industry Practice

- 5.63 The objectives of the PCMLTFA include:

*"to implement specific measures to detect and deter money laundering... ",
 "to respond to the threat posed by organized crime by providing law enforcement officials with the information they need to investigate and prosecute money laundering or terrorist financing offences" and "to assist in fulfilling Canada's international commitments to participate in the fight against transnational crime, particularly money laundering..."*

The PCMLTFA does not specifically legislate the requirements of an entity in relation to how it handles high risk transactions outside of record keeping and reporting obligations.

- 5.64 It is difficult to compare best practices for the management of AML/ATF risk to other industries. We do not believe that the banking sector is a good comparison as there is a significant difference in how banks handle account based risk when compared to transient casino play that is often anonymous. Where reportable transactions do occur, the Casino often only has limited information on which to base its risk assessment. Due to the significant volume of cash and the transient nature of its patrons Casinos are most similar to MSBs in their AML/ATF risk management models. In the absence of specific guidance, other industries regulated under the Act have developed controls and measures to reduce or eliminate the risk associated to the receipt of unsourced bulk cash.
- 5.65 The implementation of controls around bulk cash vary by industry:
- MSBs – Money Services Businesses place limits on the amount of bulk cash accepted from clients. This practice forces alternative funding such as bank drafts, certified cheques or wire transfers.
 - Financial Institutions – Although most financial institutions will not refuse a cash deposit they will close client accounts that exceed their defined risk thresholds. Account based relationships also offer greater monitoring capabilities which aid in managing risk.
 - Security Dealers – The majority of Securities Dealers place outright bans on cash deposits. This is impractical in the gaming industry.



- 5.66 In gaming models where casinos are provincially operated, the ability to implement revenue impacting, socially guided controls and restrictions is simplified in that the revenue of the private operator is not a consideration. Implementing cash controls on private operated facilities requires a greater assessment of revenue impact and how best to ensure the operators remain reasonably compensated.

Cash Alternatives

GPEB:

- 5.67 BCLC's mandate of revenue generation, and GPEB's mandate to ensure the overall integrity of gambling in the province requires a balanced approach to support a restriction or significant reduction in the amount of cash accepted at the casino facilities. The review of proposed cash alternative solutions and the impact of these solutions should remain a priority for both entities to promote gaming integrity and reduce the amount of unsourced cash being used in game play.
- 5.68 We understand that a concept document addressing extension of credit to VIP patrons has been put before GPEB. This concept has not yet been approved or denied as additional information is required by GPEB. Once the information is provided by BCLC, it should be a priority for GPEB to determine feasibility and the implementation criteria.
- 5.69 GPEB and BCLC should undertake a review of large cash transactions to determine if a bulk cash limit can be reasonably set for transactions where no source of funds can be determined. Currently patrons who have not been placed on a watch list can buy in with unlimited cash until flagged for an interview by BCLC.

BCLC:

- 5.70 BCLC has staffed a position to investigate the viability of a number of cash alternative options which need GPEB's approval to move forward. Considerations in developing cash alternative programs and products should include:
- The ability for non-Canadian players to fund PGF accounts if they are subject to cash restrictions in their home country (i.e. China)
 - The ability for non-Canadian player to repay credit extended at facilities if they are subject to cash restriction in their home country (i.e. China)
 - Allocating how defaults on repayments will be determined.(i.e. between BCLC and Service Provider and potentially the tax payer)
- 5.71 It is understood that any controls placed on the acceptance of bulk cash may reduce the volume of play and subsequently the revenue generated for both the operator and the province. BCLC reports that high limit play is a small part of BCLC revenue. As such, it will marginally impact BCLC revenues overall. However these controls may have a significant impact on revenue for the RRCR operator, Great Canadian Gaming Corporation. The level of acceptable risk, impact on revenue generation and reducing the facilitation of layering of bulk cash must all be considered when determining adequate controls.



- 5.72 The implementation of cash alternatives is likely to bring the greatest reduction in unsolicited cash while having the least impact on overall level of play for VIP patrons. Although we cannot recommend specific options without additional analysis we do acknowledge that the most common options are:
- Domestic and international wires to fund PGFs;
 - The ability to transfer funds between PGFs;
 - Specified limits on chip passing amounts;
 - Front Money accounts and the extension of credit;
 - Removing the current limits for Convenience Cheques for non-verified wins and return of funds.
- 5.73 The Cheque Hold program has been approved, developed and implemented as a cash alternative. However, there has been no utilization to date by Service Providers due to the risk of non-payments.
- 5.74 A verifiable source of funds determination for cash amounts above a defined threshold to be obtained prior to game play should be mandated by GPEB and implemented by BCLC. In our opinion, the only way to verify funds is to obtain documentation for the withdrawal of cash from a financial institution (bank) or entity covered under the PCMLTFA such as a MSB.

Environmental Factors

- 5.75 The issue of casinos, RRCR in particular, accepting large volumes of cash has been a growing issue in the province for a number of years. The source of the cash is now in question, and social and moral responsibility around the unsourced cash has resulted in negative media around gaming operations in BC. A number of factors within the regulatory and guidance documents can be identified as the root cause of the issue.
- There are inherent conflicts between the mandates of GPEB and BCLC and the Service Provider. GPEB is responsible for regulation and the integrity of the gaming industry in BC. BCLC has statutory obligations under the *Gaming Control Act* to GPEB, is accountable to the Province for revenue generation, manages the Service Providers, and responsible to FINTRAC for regulatory compliance. Service Providers, are not covered entities under the PCMLTFA and therefore have limited regulatory obligations and exposure, instead focusing on revenue generation.
 - From discussion with staff and management, examples provided by both GPEB and BCLC identify a cultural difference regarding unsourced cash and the potential AML activity occurring within BC casinos which undermines collaboration and the sharing of ideas and information. This has contributed to an increased risk of compliance short-falls, misaligned priorities for implementing cash alternatives, and gaps in the oversight of day-to-day processes.
- 5.76 The PCMLTFA and implementing regulations require that reporting entities report prescribed transactions and identify suspicious transactions. There is no provision within the regulation that requires that funds which may be associated with a predicate offense to be rejected by a reporting entity.



- 5.77 The ongoing investigation by law enforcement into the potential use of proceeds of crime to fund VIP gaming activities prompted BCLC to implement a list of patrons who would be restricted from playing using unsourced cash.
- 5.78 In other industries, such as banking, securities dealers and MSBs, internal policies and procedures are developed based on the entity's risk based approach to determine when transactions should be rejected. Through review of policies and procedures at GPEB, BCLC and the Service Provider, it was noted that there has been no directives made to reject funds where the source of the cash cannot be determined and verified.
- 5.79 Reasonable grounds to suspect Money Laundering activity through the use of unsourced funds has been confirmed by the Service Providers and BCLC through the EDD processes. Interviews have confirmed that players are indeed wealthy non-residents, or business persons with interests both in Vancouver and China, coming to Vancouver to gamble. While the patron may be bona fide, the unsourced cash being accepted by the casino may be associated with criminal activity and poses significant regulatory, business and reputational risk.
- 5.80 The use of possible underground banking operations using large volumes of unsourced cash have become increasingly common and accepted as a convenience feature for VIP players who may not be able to send funds to Canada due to currency restrictions in their own country. The funding arrangements have been confirmed through interviews conducted by BCLC investigators with targeted patrons. The patron advises that they are provided with a contact in Vancouver, either locally or prior to arriving in Vancouver. The contact the person via phone for cash delivery. The funds are later repaid through cash holdings in China. This transaction flow forms an underground or unregistered Hawala type operation using unsourced cash into the casino.
- 5.81 River Rock staffs have fostered a culture accepting of large bulk cash transactions. Through interviews and conversations with facility staff, there is a false reliance of the KYP process, which is developed through the frequency of transactions dealing with large cash values rather than any verified information. This has resulted in a desensitization to the inherent AML risks associated to cash transactions. This was identified by a number of staff at various levels in GPEB, BCLC and the Service Providers.
- 5.82 BCLC's current systems and technology do not allow for analytics or system alerts for activity which is deemed to be suspicious or excessive. There is a reliance on the Operator to file UFTs which may prompt the need for EDD. The implementation of SAS has been significantly delayed due to vendor customization issues which has hindered BCLC's ability to perform efficient and effective monitoring.
- 5.83 Staffing levels do not allow for EDD or deep dive investigations to be completed in a timely manner which allows activity to continue at the facility supporting the apathy to large cash transactions.
- The EDD process should be reviewed to ensure that data collected and information gleaned from various sources provide a clear picture of the risks and profile of the patron for risk assessment and mitigation purposes.



- 5.84 EDD "Deep dives" have indicated that the players who have been subject of UTFs are themselves are not directly associated with criminal activity. Further actions or reporting is then not deemed suspicious based on reasonable grounds to suspect ML/TF activity. The use of bulk unsourced cash, and the possible use of proceeds of criminal activity, is not clearly identified in the BCLC Risk Assessment.

6.0 RESTRICTIONS AND LIMITATIONS

- 6.1 This report is private and confidential. It is not intended for general circulation or publication. For certainty, this report may not be disclosed, copied, quoted, or referred to in whole or in part, whether for the purposes of litigation, disciplinary proceedings or otherwise, without our prior written consent in each specific instance. It is not to be distributed to any other persons without the prior express written consent of MNP. Such consent, if given, may be on conditions, including without limitation an indemnity against any claims by third parties arising from release of any part of our documents or reports. We do not and will not assume any responsibility or liability for losses incurred by the Gaming Policy Enforcement Branch or their employees or by any other parties as a result of the circulation, publication, reproduction, use of, or reliance upon any reports or documents contrary to the provisions of this paragraph. Further, we understand that this Report may be the subject of a request under the Freedom of Information and Protection of Privacy Act. Should a request be made, MNP will work with GPEB to fulfill the request in accordance with the Act.
- 6.2 Comments in any document or report we produce in the course of this engagement shall not be interpreted to be legal advice or opinion.
- 6.3 BCLC remains solely responsible at all times for adherence with all its compliance obligations.

Yours truly,

MNP LLP

A handwritten signature in black ink that reads "MNP LLP". The letters are stylized and cursive.

Gregory S. Draper, MBA, DIFA, FCPA, FCGA, CFE, ICD.D
Investigative & Forensic Services

Hayley Howe, CAMS
Investigative & Forensic Services

This is Exhibit "FF" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
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**BCLC
BRIEFING DOCUMENT**

To: Minister Michael de Jong

Prepared By: Jim Lightbody

Phone Number: [REDACTED]

Contact: Jim Lightbody
President and CEO
BCLC

Email: [REDACTED]

TITLE: Gaming Policy and Enforcement Branch and BCLC Roles and Responsibilities - Update

PURPOSE:

(X) FOR INFORMATION
For information would include policy overview and updated/revised info

*Draft Roles
Resp*

DATE PREPARED: October 5, 2016

TITLE: Gaming Policy and Enforcement Branch (GPEB) and BCLC Roles and Responsibilities - Update

ISSUE: GPEB and BCLC continue to collaborate in defining each of their roles and responsibilities

BACKGROUND:

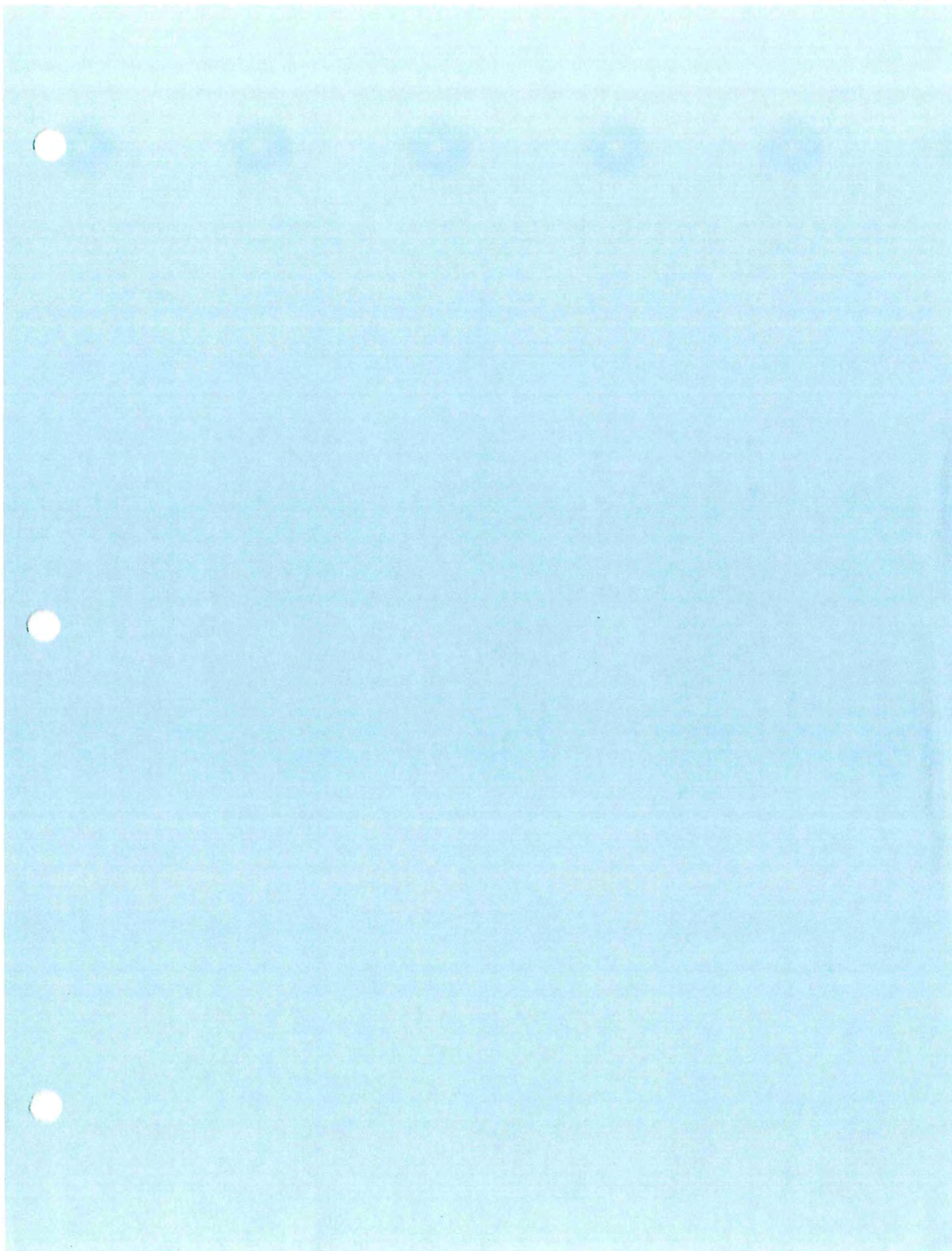
In the 2015/16 BCLC mandate letter, the Minister required GPEB and BCLC to work together to develop Key Principles that will inform respective roles and responsibilities.

Together, both entities developed and agreed upon nine Key Principles to guide and frame their respective roles and responsibilities and reported back to the Minister once these were finalized.

GPEB and BCLC continue to work collaboratively in order to better understand and define each of their roles and responsibilities.

DISCUSSION:

Since 2015/16 GPEB and BCLC have cooperated on the development of a Roles and Responsibilities document. This work is ongoing and has been a focal point of quarterly joint executive team meetings between the two organizations. In 2016, GPEB and BCLC undertook a joint executive team building process to contribute to a greater understanding of their respective roles and responsibilities. This process has resulted in joint identification of strategic issues requiring resolution between the parties. The parties are working through these issues which include clarification of roles and responsibilities in compliance and enforcement, responsible and problem gambling and sharing and consideration of legal advice regarding their respective roles under the GCA.



Introduction

The Gaming Control Act (“the Act”) governs how gaming is regulated and operated in British Columbia.

The Gaming Policy and Enforcement Branch (GPEB) is responsible for the overall integrity and regulation of gambling, including horse racing, in British Columbia. This includes all gambling conducted, managed and operated by the British Columbia Lottery Corporation (BCLC). GPEB is expressly prohibited under the Act from undertaking any activity related to the conducting, managing or operating of gaming.

BCLC is the Crown Agent granted exclusive authority under the Act to develop, undertake, organize, conduct and manage commercial gaming on behalf of the Province. As such, BCLC is responsible for the operation of casinos, bingo halls, community gaming centres and commercial lotteries.

Purpose of Document

The purpose of this document is to provide clarity, at a high level, as to the respective roles and responsibilities of GPEB and BCLC. In BCLC’s 2015/16 mandate letter, there is a requirement for GPEB and BCLC to jointly develop key principles to inform respective roles and responsibilities. The key principles have been developed and this document will serve to clarify each party’s responsibilities. GPEB and BCLC will develop additional guidance on how roles and responsibilities will be operationally implemented.

Vision, Mission Values and Roles

	GPEB	BCLC
<i>Vision</i>	The public has confidence in B.C.'s gambling industry.	Gambling is widely embraced as exceptional entertainment for adults.
<i>Mission</i>	To uphold the overall integrity of gambling by maintaining government's gambling policy, regulating the gambling sector and providing support services and programs that benefit British Columbians.	To conduct and manage gambling in a socially responsible manner for the benefit of British Columbians.
<i>Values</i>	Integrity, courage, teamwork, passion, service, curiosity and accountability	Integrity, respect, social responsibility
<i>Role</i>	GPEB is responsible for the overall integrity of gambling in British Columbia. GPEB defines impacts on the integrity of gambling to include all actions, incidents or things which could or may (either actually or by way of perception) corrupt the gambling industry or any portions of it, or bring the reputation of, or public confidence in, the gambling industry into disrepute.	BCLC conducts and manages gambling in a socially responsible manner for the benefit of British Columbians. BCLC offers gambling entertainment through national and provincial lotteries, casino gambling, commercial bingo and online gambling.

Authority

GPEB

Part 4 of the Act identifies GPEB's purpose to carry out the responsibilities under the Act. The position of the general manager and the authority given to that position are identified in s. 27 of the Act. Specifically, s. 27(1) makes the general manager responsible for the enforcement of the Act. The following sections of the Act set out GPEB's role and authority:

27 (1) The general manager is the head of the branch and is responsible, under the direction of the minister and with reference to the responsibility of the branch under section 23, for the enforcement of this Act.

(2) The general manager

- (a) must advise the minister on broad policy, standards and regulatory issues,
- (b) under the minister's direction, must develop, manage and maintain the government's gaming policy,
- (c) may establish criteria necessary for considering, reviewing and evaluating proposals for new or existing gaming facilities, and
- (d) may establish public interest standards for gaming operations, including but not limited to extension of credit, advertising, types of activities allowed and policies to address problem gambling at gaming facilities.

(3) The general manager may

- (a) direct that the branch conduct an investigation respecting
 - (i) the integrity of lottery schemes or horse racing, or
 - (ii) the conduct, management, operation or presentation of lottery schemes or horse racing,
- (b) refer a complaint from a gaming patron to the branch if the general manager believes it is likely that the patron or another person has been adversely affected by an irregularity in the conduct, management, operation or presentation of gaming or horse racing,
- (c) make inquiries or carry out research into any matter that affects or could reasonably be expected to affect the integrity of gaming or horse racing, and
- (d) do other things relating to gaming or horse racing that are authorized or directed by the Lieutenant Governor in Council.

(4) In carrying out the responsibilities under this section, the general manager must not

- (a) conduct, manage, operate or present gaming or horse races,
- (b) enter into an agreement with Canada or the government of another province with respect to the conduct, management, operation or presentation of lottery schemes or horse races, or
- (c) enter into an agreement with a gaming services provider.

Details of GPEB's authority in each major area are contained in the individual Responsibilities sections of this document.

BCLC

Part 2 of the Act establishes BCLC and s. 7(1) sets out its mandate to conduct and manage gaming on behalf of the government.

The following sections of the Act set out BCLC's role and authority:

7 (1) The lottery corporation is responsible for the conduct and management of gaming on behalf of the government and, without limiting the generality of the foregoing,

(a) may develop, undertake, organize, conduct, manage and operate provincial gaming on behalf of the government, either alone or in conjunction with the government of another province,

(b) [Repealed 2010-21-90.]

(c) subject to first receiving the written approval of the minister, may enter into agreements, on behalf of the government of British Columbia, with the government of Canada or the governments of other provinces regarding the conduct and management of provincial gaming in British Columbia and in those other provinces,

(d) subject to first receiving the written approval of the minister, may enter into the business of supplying any person with operational services, computer software, tickets or any other technology, equipment or supplies related to the conduct of

(i) gaming in or out of British Columbia, or

(ii) any other business related to gaming,

(e) may enter into agreements with persons, other than registered gaming services providers, respecting provincial gaming or any other business related to provincial gaming,

(f) subject to subsection (1.1), may enter into agreements with registered gaming services providers for services required in the conduct, management or operation of provincial gaming,

(g) 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,

(h) may monitor the operation of provincial gaming or horse racing and the premises and facilities in which provincial gaming or horse racing is carried on,

(i) must monitor compliance by gaming services providers with this Act, the regulations and the rules of the lottery corporation, and

(j) must do other things the minister may require and may do other things the minister may authorize.

(1.1) An agreement described in subsection (1) (f) must require the gaming service provider to provide the services referred to in subsection (1) (f) under the control of the lottery corporation.

(2) However, the lottery corporation must not implement a new type of lottery scheme that was not in operation on the date this section comes into force without first receiving the written approval of the minister.

Rules of the lottery corporation

8 (1) The lottery corporation may make rules for the purposes of this Part, including but not limited to rules

- (a) 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 those books, accounts and other records,
- (b) limiting and regulating the sale of lottery tickets of the lottery corporation by persons other than the lottery corporation and prescribing the fees, commissions and discounts in the sales,
- (c) governing the manner of selecting prize winners under a lottery scheme or any class of lottery schemes conducted and managed by the lottery corporation,
- (d) imposing conditions and establishing qualifications for entitlement to prizes in a lottery scheme or any class of lottery schemes conducted and managed by the lottery corporation,
- (e) respecting the handling of money and money equivalents received from players of games of chance by the lottery corporation, licensees and gaming services providers,
- (f) governing the holding and disbursement of money received from players of games of chance by the lottery corporation, licensees and registered gaming services providers, and
- (g) respecting security and surveillance at gaming facilities or classes of gaming facilities.

(2) If a rule of the lottery corporation is inconsistent with or conflicts with this Act or a regulation made by the Lieutenant Governor in Council, this Act or the regulation prevails.

Service Provider for Licensed Gambling

Until recently, BCLC has had no involvement in licensed gambling activities. With the Criminal Code of Canada having been changed to allow for raffles to be run through a computer system, BCLC proposed to offer its online gambling platform, PlayNow.com, as an option for charities to conduct raffles online. In December of 2015, ministerial approval was granted for BCLC to operate as a service provider for licensed gambling. This approval is subject to the following terms and conditions:

- BCLC must price the operational services such that BCLC will only recover reasonable expenses based on the cost of providing the services and not earn a profit from the provision of these services;
- BCLC must ensure that its operational services conform to all GPEB-licensed gaming policies, procedures and standards, as they may be amended from time to time;
- the approval is not to be interpreted as an approval for BCLC to act in a way that discourages competition in the provision of services to licensees; and
- BCLC will not be granted any special consideration or special exceptions in the licensed gambling sector.

All gaming that falls under the charitable gaming sections on the Criminal Code must be conducted and managed by the provincial licensee (the charity) and not by a service provider. This means that the charity must be the operating mind of the lottery scheme.

Responsibilities

Gaming policy, statutory responsibilities, corporate duties and communication

The legal foundation for all gaming in Canada is the federal *Criminal Code* which limits what types of gaming activities are legal in Canada and assigns the provinces the responsibility to operate, licence and regulate legal forms of gaming.

Part VII of the Code prohibits gaming in general, while section 207 allows for a number of exceptions to the general prohibition. Specifically, it permits "lottery schemes" provided that they are:

- Lottery schemes "conducted and managed" by the province in accordance with any law enacted by that province (s.207(1)(a)) – called commercial gaming in B.C.;
- Lottery schemes "conducted and managed" by a licensed charitable or religious organization pursuant to a licence issued by a provincial authority, provided that the proceeds of the lottery scheme are used for a charitable or religious purpose (s.207(1)(b));
- Lottery schemes "conducted and managed" by a licensed board of a fair or exhibition or by an operator of a concession leased by that board (s. 207(1)(c)); and
- Lottery schemes "conducted and managed" by a licensed person at a public place of amusement if the value of each prize awarded does not exceed \$500.00, and the consideration paid to secure a chance to win does not exceed \$2.00 (s. 207(1)(d)).

The *Gaming Control Act and Regulation* establish the province's specific regulatory framework for gaming, in conformance with the *Criminal Code* gaming provisions. As noted above, the GCA assigns GPEB the responsibility for regulating commercial gambling and licensing charitable gaming in BC and assigns BCLC, on behalf of the Province, the responsibility for conducting and operating commercial gambling in BC.

GPEB liaises with the federal and provincial governments on all national gaming issues through a Federal-Provincial-Territorial (FPT) Working Group on Gaming. GPEB also works with other provincial regulatory agencies as a member of the Canadian Association of Gaming Regulatory Agencies (CAGRA).

GPEB develops and maintains a rigorous and transparent policy and regulatory environment for gaming and horse racing that supports government's objectives for gaming in British Columbia.

	GPEB	BCLC
Gaming Policy		
Develop, manage and maintain the government's gaming legislation, regulations, policies, standards and directives	R, A	A, C, I
GPEB may be issued directives on matters of general policy by the Minister (s. 26)	A	I, C
GPEB may issue directives to BCLC on matters of general policy and other reasons (s. 6 and 28 of the Act)	R, A	C*, I
Inform BCLC of written directives prior to their publication	R, A	C*, I
Power to make regulations under Part 10 of the Act	R, A	C, I
Location and relocation of gaming facilities	I	R, A
Statutory Responsibilities		
Annual reporting by GPEB	R, A	C, I
Annual reporting by BCLC	C, I	R, A
GPEB must not conduct, manage, operate or present gaming or horse races	R, A	C, I

Corporate Duties		
Appointment to the BCLC Board of Directors	R, A	R, A
Annual Mandate letter to BCLC	R, A, C, I	R, A, C, I
Taxpayer Accountability Principles	C, I	R, A, I
Minister's quarterly meetings with BCLC chair		R, A
ILC – Shareholder (Minister's) Proxy	A, R, C, I	C, I
Communications		
Publication of written directives to the lottery corporation	R, A	C*, I
Provision of information on process and timing of new directives	R, A	C*, I
GPEB must publish written directives by the Minister of Finance and the General Manager. The Community Gaming Manager (CGGM) is responsible for publishing CGGM directives not the GPEB General Manager.	R, A	I
Provision of advance notice on new BCLC initiatives that require GM or Ministerial approval as required under the GCA	C, I	R, A
Provision of advance notice on new BCLC initiatives that can be anticipated to impact or require a reciprocal GPEB operational or business change to support BCLC's new initiative.	C, I	R, A

R – Responsible, A – Accountable, C – Consulted, I – Informed

* In some cases, GPEB is not able to consult with BCLC due to an internal government requirement for confidentiality

GPEB Responsibilities under the Act

- GPEB, under the Minister's direction, must develop, manage and maintain the government's gaming policy as outlined in section 27(2).
- The Minister may issue directives to the lottery corporation on matters of general policy pursuant to section 6 of the Act. The lottery corporation must comply with the directives (section 6(2)).
- The Minister may issue directives to the General Manager as matters of general policy pursuant to section 26 of the Act (matters of general policy). The lottery corporation must comply with the directives (section 26(2)).
- The general manager must not conduct, manage, operate or present gaming or horse races, enter into an agreement with Canada or the government of another province with respect to the conduct, management, operation or presentation of lottery schemes or horse races, or enter into an agreement with a gaming services provider pursuant to section 27(4).
- The general manager may issue directives establishing criteria for the review and evaluation of proposals for new gaming facilities or for the relocation of existing gaming facilities.
- The general manager may make inquiries or carry out research into any matter that affects or could reasonably be expected to affect the integrity of gaming or horse racing pursuant to section 27(3)(c).
- Lieutenant Governor in Council may make regulations related to (section 105);
 - respecting the conduct, management and operation of provincial gaming;
 - respecting the consultations on the location and relocation of gaming facilities;
 - governing conflict of interest for (i) the general manager and persons employed in the branch, and (ii) the directors and employees of the lottery corporation;

- allowing the presence of minors at a gaming facility or a gaming event, in circumstances, or on conditions, that may be set out in the regulations;
- respecting types of lottery schemes that the lottery corporation may conduct and manage;
- defining, for the purposes of this Act, words and expressions that are not defined in this Act.
- An appointee to the BCLC Board must undergo a background investigation by the general manager pursuant to section 55(1).
- GPEB will issue a report annually for the Minister to table before the Legislative Assembly pursuant to section 29(1) of the Act.
- GPEB must publish written directives to the lottery corporation in one issue of the Gazette and on the branch's website pursuant to section 6(3) of the Act and to Regulation 9(a) and (b).
- GPEB must publish written directives by the Minister of Finance and the General Manager. in one issue of the Gazette and on the branch's website pursuant to sections 6 (3) and 26(3) of the Act and to Regulation 15.

BCLC Responsibilities under the Act

Location, relocation or substantial change to gaming facilities

18 (1) Subject to first receiving authorization by a written directive of the minister under section 6, the lottery corporation may

- (a) develop, use or operate a facility as a gaming facility,
- (b) relocate an existing gaming facility, or
- (c) substantially change the type or extent of lottery schemes or horse racing at a gaming facility.

(2) Despite subsection (1), the lottery corporation may develop, use and operate a facility as a gaming facility without the authorization referred to in subsection (1) if the facility was a lawful gaming facility in existence immediately before the coming into force of this section.

(3) A written authorization to develop, use or operate a facility as a gaming facility, to relocate an existing gaming facility, or to make a substantial change to a gaming facility, which authorization was in effect immediately before the coming into force of this section, remains in effect until

- (a) the date on which its term ends, or
- (b) the date which is 24 months after the coming into force of this section,

whichever date is earlier.

(4) A written authorization described in subsection (3) that was in effect immediately before the coming into force of this section ceases to have effect if the facility that is the subject of the authorization is not ready for occupancy by the earlier of the dates referred to in subsection (3).

Local government or first nation approval required for gaming facilities

19 (1) The lottery corporation must not, under section 18, develop, use or operate a facility, other than as permitted under section 18 (2), as a gaming facility, relocate an existing gaming facility or substantially change the type or extent of lottery schemes or horse racing at a gaming facility, unless the lottery corporation

(a) first receives the approval, in the prescribed form and manner, from the host local government,

(b) is satisfied that the host local government has consulted with each potentially affected local government with respect to the subject matters prescribed by regulation, and

(c) is satisfied, in the case of the location or relocation of a gaming facility, that any applicable requirements of Division 2 of Part 8 respecting the registration of any proposed gaming services provider have been complied with.

(2) A host local government must not give an approval referred to in subsection (1) (a) unless, before or concurrently with giving the approval, the host local government satisfies the lottery corporation that adequate community input has been sought and considered.

Matters relevant to location or relocation of gaming facilities

20 In deciding under section 18 whether to develop, use or operate a facility as a gaming facility, to relocate an existing gaming facility or substantially change the type or extent of lottery schemes or horse racing at a gaming facility, the lottery corporation may take into account factors that the lottery corporation considers relevant.

- BCLC has written approval under section 18 for the discretion to locate and relocate gaming facilities for business reasons and substantially change the type or extent of lottery schemes in gaming facilities in order to meet marketplace demand pursuant to a 2005 Directive.
- The Minister may issue directives to the Lottery Corporation as matters of general policy pursuant to section 6(1) of the Act (matters of general policy). The lottery corporation must comply with the directives (section 6(2)).
- The lottery corporation must not implement a new type of lottery scheme that was not in operation on the date this section comes into force without first receiving the written approval of the Minister pursuant to section 7(2).
- BCLC will issue a report annually for the Minister to table before the Legislative Assembly pursuant to section 11(1) of the Act.
- BCLC will have no more than 9 directors, each appointed by the Lieutenant Governor in Council pursuant to section 2(1) of the Act

Financial Responsibilities

GPEB provides financial advice to the Ministry executive on annual appropriations, is responsible for effectively administering the Branch's budget and recoveries, and provides strategic financial support in financial administration of new and existing gaming-related programs.

BCLC is responsible for ensuring the continued sustainability, and growth, of the business of gaming in the province. BCLC provides net income to government, and is responsible for growing that income as directed by the Minister of Finance. BCLC is responsible for maintain a comprehensive cost containment framework to assist in achieving net income contribution goals.

	GPEB	BCLC
Net gaming income to be paid to consolidated revenue fund	C, I	R, A, C, I
Distribution of gaming revenues to host local governments	R, A	C, I
Distribution of gaming and racing revenue to support the horse racing	R, A	C, I

industry		
Distribution of Community Gaming Grants*	R, A	
Co-ordination of Treasury Board Submission from both GPEB and BCLC	A	R, C, I

R – Responsible, A – Accountable, C – Consulted, I- Informed

* The Ministry of Community, Sport and Cultural Development is responsible for policy matters that impact Community Gaming Grants. GPEB is responsible for the administration of the Community Gaming Grant program.

The following sections of the Act are relevant to BCLC's responsibilities with respect to the financial budgets and disbursement:

- The balance of net income in each fiscal year of the lottery corporation, after the lottery corporation makes provision in that fiscal year for payment under section 13 and 7(1)(c), must be paid into the consolidated revenue fund at the times and in the manner directed by the Lieutenant Governor in Council pursuant to section 14(1) of the Act.

Registration of companies and individuals

Companies or persons wishing to provide goods or services which may have an impact on the integrity of gaming in British Columbia must be registered with GPEB.

	GPEB	BCLC
Determining when registration is required for corporations or individuals	R,A	C, I
Providing adequate information regarding any initiative where registration may be required	C	R,A
Requesting clarification when there is ambiguity or a lack of understanding related to an initiative where registration may be required	R,A	C
Registering corporations and individuals who will provide goods or services to the gambling industry in British Columbia	R,A	I

R – Responsible, A – Accountable, C – Consulted, I- Informed

GPEB Responsibilities under the Act

- As delegated by the General Manager, the Licensing, Registration and Certification (LRC) Division has sole authority for conducting background investigations of registrants and applicants for registration pursuant to section 80(1) of the Act.
- All Licensing, Registration and Certification Division investigators are authorized to conduct background investigations pursuant to section 80(1) of the Act.
- Under section 56(1) of the Act, the Branch must maintain a registry of all registered gaming services providers and gaming workers.
- Under section 56(3) of the Act, the Branch may attach conditions to registrations.

BCLC Responsibilities under the Act

- Under section 55, it is a condition precedent to the appointment or employment that the prospective appointee or employee must undergo a background investigation to ascertain the suitability of the person for appointment or employment by BCLC. The registration of all Corporation appointees and employees must be renewed every 5 years.

- Under section 86(1), BCLC must provide LRC Division Inspectors or Investigators with any information, records or things requested by the Inspector or Investigator.
- Under section 87 of the Act, BCLC and its officers and employees:
 - Must submit to an investigation or inspection conducted by the LRC Division;
 - Must not obstruct or interfere with an investigation or inspection conducted by the LRC; and
 - Must not withhold or refuse to produce any information, record or thing that is requested by an Investigator or Inspector.
- Under section 96 of the Act, BCLC cannot employ or engage a person unless they are appropriately registered with the Branch.

Licensed Gambling

Charitable gambling in B.C. requires a licence. A community group or organization may be eligible to receive a licence to hold a gambling event that earns revenue to benefit important programs and services or within British Columbia. A licence must be applied for and issued in advance of the proposed gambling event.

	GPEB	BCLC
Issuing gambling event licenses to eligible charitable organizations	R,A	
Creating standards, procedures and guidelines for gambling event licenses	R,A	
Granting approval for the types of games allowed under a license	R,A	
Acts as a service provider for licensed gambling events*	C,I	R,A

R – Responsible, A – Accountable, C – Consulted, I- Informed

*As noted in the section titled Service Provider in Licensed Gambling, BCLC has obtained permission from the Minister of Finance to operate as a service provider for charitable organizations. This permission is subject to the terms and conditions set out by the Minister.

GPEB Responsibilities under the Act

- Section 30(2) and 30(3) of the Act allow the General Manager or his or her delegate to license persons to conduct and manage gaming events in BC and to attach conditions to those licenses.

BCLC Responsibilities under the Act

- BCLC is not involved in the conduct or management of licensed gambling.

Certification

All gaming supplies and lottery schemes must be certified by GPEB prior to being used or implemented within BC. Gaming supplies and lottery schemes are subjected to a rigorous testing and review process to ensure their integrity prior to GPEB issuing a Certificate of Technical Integrity.

	GPEB	BCLC
Providing advance notice of certification requests	I	R,A
Providing relevant documentation in a timely manner to support requests	C,I	R,A
Granting of Certificates of Technical Integrity in a timely manner	R,A	I
Reporting equipment that has been repaired, altered, upgraded or has malfunctioned	C,I	R,A

R – Responsible, A – Accountable, C – Consulted, I- Informed

GPEB Responsibilities under the Act

- Gaming equipment is defined under section 74 of the Act.

- Under section 75 (3) of the Act, the general manager may issue a certificate of technical integrity only if satisfied that the gaming supplies and lottery scheme will be fair, honest, secure and safe, individually or according to type, according to standards approved by the general manager.

BCLC Responsibilities under the Act

- Under section 75(1) of the Act, BCLC cannot use, or permit the use of, gaming equipment in connection with a lottery scheme unless the Branch has issued a certificate of technical integrity.
- Under section 75(2) of the Act, BCLC must advise the Branch if any gaming equipment has been repaired, altered or upgraded or has malfunctioned, and BCLC must not use the gaming equipment until the use has been approved in writing.

Responsible Gambling

The Province of British Columbia is committed to ensuring that gambling in BC is conducted and managed with integrity and that gambling events and products are offered in a socially responsible manner.

GPEB and BCLC share responsibility for responsible gambling in British Columbia, and in particular the operation of the GameSense program. BCLC operates the program and GPEB manages the contracts with the personnel who interface with gamblers offering information on the risks, myths, how the games work and where to get help when gambling becomes a problem.

	GPEB	BCLC
Operation and site management for GameSense	C,I	R,A
Contract management and procurement for GameSense	R,A	C,I
Development of location-based responsible gambling products (e.g. casino, CGC, PlayNow)	C,I	R,A
Development of community-based responsible and problem gambling products	R,A	C,I

R – Responsible, A – Accountable, C – Consulted, I – Informed

Although the Act does not specifically set out responsibility for responsible and problem gambling, it is mentioned in the following sections:

- Under section 27(2)(d) the general manager may establish public interest standards for gaming operations, including but not limited to extension of credit, advertising, types of activities allowed and policies to address problem gambling at gaming facilities.
- Under section 27(3)(a)(i) the general manager may direct that GPEB conduct an investigation relating to the integrity of lottery schemes.
- Under section 27(3)(c) the general manager may make inquiries or carry out research into any matter that affects or could reasonably be expected to affect the integrity of gaming.
- Under section 28(1)(k) of the Act, the general manager may issue directives applicable to GPEB, BCLC or both as to the carrying out of responsibilities under the Act including establishing policies to address problem gambling.

Ministerial and General Manager's Directives & Approvals in Effect

The following directives have been included in this document to provide further direction and additional clarity on each organization's role within the framework of *the Gaming Control Act* and its regulations.

- [Minister's Directive - Gaming Control Act, Section 28](#)
(amended formula for gaming revenue)
- [Minister's Directive - Gaming Control Act, Section 26](#)
(limit on the number of horse racing teletheatres)
- [Minister's Directive - Gaming Control Act, Section 18](#)
(move casinos, change lottery schemes)
- Minister's Directive – Approval to operate casino games online – July 24, 2009
- [General Manager's Directive - Gaming Control Act, Section 28](#)
(Internal Review Procedures)
- [General Manager's Directive - Gaming Control Act, Section 28](#)
(Technical Integrity of BCLC Lottery Schemes)
- [General Manager's Directive - Gaming Control Act, Section 28](#)
(BCLC Employees' Reporting Requirements Concerning Conflict of Interest) [PDF]

Public interest standards

The following standards provide guidance with respect to three key areas which face the public:

- [Advertising and Marketing Standards](#)
- [Security and Surveillance Standards](#)
- [Responsible Gambling Standards](#)

Dispute Resolution

GPEB and BCLC will make all reasonable efforts to resolve disputes regarding their respective roles and responsibilities and will follow the key principles document that has been agreed to between the parties. This process will follow a standard escalation path where the relevant GPEB and BCLC executive team members will discuss the issue and attempt to reach a resolution. In the event that they are not able to reach a resolution at this level, the following process will be used to escalate and address the dispute:

- GPEB and BCLC executive team members will escalate the issue to the General Manager of GPEB and the CEO of BCLC who will attempt in good faith to resolve the dispute
- if necessary, a facilitator or mediator may be used to assist in the resolution of the issue; and
- if GPEB and BCLC are unable to successfully resolve the issue, it will be escalated to the Minister for a decision.

This is Exhibit "**GG**" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1

Ministry of Finance
BRIEFING DOCUMENT

To: Cheryl Wenezenki-Yolland **Date Requested:** Oct. 19, 2016
Associate Deputy Minister **Date Required:** Nov. 8, 2016

Initiated by: Cheryl Wenezenki-Yolland **Date Prepared:** Nov. 8, 2016
Associate Deputy Minister

Ministry John Mazure **Phone Number:** [REDACTED]
Contact: Assistant Deputy Minister **Email:** [REDACTED]
Gaming Policy and Enforcement Branch

354208

TITLE: Ministerial authority over the British Columbia Lottery Corporation

PURPOSE:

(X) FOR INFORMATION

Executive Director approval: _____

ADM approval: _____

Associate DM approval: _____

DATE PREPARED: Nov. 8, 2016

TITLE: Ministerial authority over the British Columbia Lottery Corporation

ISSUE: Under the *Gaming Control Act*, the general manager of the Gaming Policy and Enforcement Branch has limited authority to regulate the activities of the British Columbia Lottery Corporation. The Minister responsible for gaming (the Minister), however, has broader statutory authority, which is outlined below.

BACKGROUND:

The *Gaming Control Act* (GCA) articulates the roles and responsibilities of the Minister responsible for gaming (currently the Minister of Finance), the general manager of Gaming Policy and Enforcement Branch (GPEB), and the British Columbia Lottery Corporation (BCLC).

The general manager's role is, in large part, that of a statutory decision-maker with significant authority and discretion to regulate participants in the B.C. gambling industry. The general manager has independent statutory powers to make certain decisions under the *Gaming Control Act* (authorities s/he can exercise without Minister approval). However, with certain narrow exceptions, the regulatory powers of the general manager do not extend to BCLC's activities in its conduct and management of gaming. See Appendix I which outlines the general manager's role and authorities under the GCA.

The general manager has some specific authority in relation to the activities of BCLC, such as the authority to conduct audits and investigations to monitor BCLC's compliance with the GCA and standards by which the corporation must abide. However, the general manager's role does not regulate BCLC's conduct and management of gaming as the GCA assumes that the Minister, GPEB and BCLC act in concert. BCLC's conduct and management of gaming does not arise from or depend upon any statutory decisions made by the general manager as the corporation is not a licensee or a registrant under the Act. Moreover, BCLC is not subject to the offence provisions in the Act.

GPEB is "responsible for the overall integrity of gaming and horse racing" in B.C. The general manager must, under the Minister's direction, develop, manage and maintain the government's gaming policy. This is achieved mainly through the regulatory oversight of the gaming industry, service providers and charity organizations engaged in gaming.

Because BCLC is the agent of the government and exists for the purpose of conducting and managing gaming on behalf of the government, the government's powers relating to BCLC are extensive. Specific sections of the GCA empower the responsible Minister and Cabinet in relation to different aspects of BCLC's strategic direction and its operations.

BCLC is responsible for the conduct and management of gaming on behalf of the government (section 7(1)). BCLC's powers and duties arise from the GCA, and it is subject to:

- Regulations made by the Lieutenant Governor in Council (LGC) under section 105(1)(a) of the GCA, and
- Direction by the Minister under specific sections of the GCA.

On a policy level, BCLC is also subject to such matters as the annual mandate letter, Taxpayer Accountability Principles, and government Core Policy.

Solicitor Client Privilege

DISCUSSION:***Strategic Authority***Section 2

The Minister and the Lieutenant Governor in Council (LGC) influence the governance of BCLC because under section 2 of the Act, the LGC has authority to appoint the members of the board of directors of BCLC and to appoint one of those directors to be the Chair. The LGC also has the authority, among other matters, to set the length of these appointments and to terminate the appointments at any time.

Section 4

The government-appointed board members set the strategic direction for BCLC. They have the responsibility to oversee the conduct of BCLC's business and to supervise management. In an extreme case of disagreement, the LGC has authority to terminate the Board appointees and name a new Board.

Section 3

Government has ultimate authority over the lottery corporation by way of section 3: *the lottery corporation is, for all purposes, an agent of the government*. This section also states that the Minister of Finance is the fiscal agent of BCLC. Section 3 is critically important as the *Criminal Code* confirms that only gaming conducted and managed by a provincial government is lawful; however, government can fulfill this requirement by having an agent of government conduct and manage gaming.

Operational Authorities

The Minister's powers relating to BCLC's operations are extensive. Both matters of general policy and certain operational matters can be directed to the lottery corporation through:

- the Ministers' directive making authority under section 6;
- the requirement for the corporation to seek Ministerial approval for certain aspects of its business under section 7 and section 18; and
- the LGC's regulatory making authority under section 105.

Section 6

Section 6 confers on the Minister the authority to issue written directives to BCLC on matters of general policy.

Solicitor Client Privilege**Solicitor Client Privilege**

The principal reason for this view is the fact that BCLC is an agent of the government and exists for the purpose of conducting and managing gaming on behalf of the government.

Solicitor Client PrivilegeSection 7(1)

In carrying out its statutory responsibility, BCLC is required to obtain Ministerial approval under section 7 before it acts in the following circumstances:

- Entering into agreements with the government of Canada or the governments of other provinces regarding the conduct and management of provincial gaming in B.C. and in those other provinces (s. 7(1)(c))
- Entering into the business of supplying any person with operational services, computer software, tickets or other technologies (s. 7(1)(d))

- BCLC must do other things the Minister may require and may do things the Minister may authorize (s. 7(1)(j))

In the circumstances of its business under section 7(1)(c) and (d) where BCLC is required to seek Ministerial approval prior to acting, the lottery corporation has already been granted approval.

- In March 2010, approval was granted under section 7(1)(c) through a letter to BCLC that permitted the corporation to enter into an agreement with Manitoba to offer PlayNow.com in that jurisdiction.
- In another March 2010 letter, authority under section 7(1)(d) was granted. These letters are vague and further legal analysis is required to determine what, if any, other authorities they convey.

The Minister may withdraw any or all of these approvals by notifying the corporation in writing. However, doing so may be impractical as BCLC has already entered into agreements with other entities or governments and reversing them would have significant impacts on its business.

Subsection 7(1)(j) is very broad in its implications and provides the Minister with extensive authority to direct BCLC in respect of its responsibility to conduct and manage gaming on behalf of the government. No Ministerial Directives have been made under section 7(1)(j) to date.

Section 7(2)

Under section 7(2), BCLC must seek Ministerial approval to offer a new type of lottery scheme. This section of the GCA allows the Minister to be made aware of potential new gambling offerings, assess any responsible gambling or integrity risks, and determine whether these products and games should be available in B.C. The term 'new type of lottery scheme' is sometimes unclear and open to interpretation. For that reason, GPEB and BCLC may not always agree on what constitutes a new lottery scheme and thus when BCLC must seek the Minister's approval.

Section 18

Section 18(1) requires BCLC to obtain Ministerial approval before it acts in relation to developing and relocating a gaming facility and substantially altering the type of lottery schemes at a gaming facility. In a 2005 Ministerial Directive, blanket approval was granted for BCLC to 'locate and relocate gaming facilities for business reasons'. The Minister has the authority to revoke or amend this directive.

Section 105

The LGC also has very broad powers to make regulations related to gaming:

- 105(1)(a) respecting the conduct, management and operation of provincial gaming*
- (i) *by the government or, on behalf of the government, by the lottery corporation*

Section 105(1)(a)(i) is very broad. The term "respecting" is understood to connote the widest possible scope. The only restriction would be that a regulation under this subsection must have some rational connection to the conduct, management or operation of gaming by BCLC. Also, as with any regulation, a regulation under this subsection cannot serve to amend the Act, nor can it contradict what the Legislature has provided for in the Act itself.

The only regulation that has been made under this section of the GCA is section 13.1 of the *Gaming Control Regulation*. This section was added in 2006 and requires BCLC to seek local

government approval before expanding the number of slot machines in a gambling facility beyond a maximum limit established by the host local government.

Appendix I - Specific provisions of the GCA that relate to the general manager's authorities over BCLC

The general manager cannot be said to be a "regulator" of the lottery corporation; in its conduct and management of gaming, its power and authority does not arise from or depend upon any statutory decisions made by the general manager. The corporation is not a registrant or licensee under the Act and is not subject to any offence provisions under the GCA.

BCLC is subject to certain statutory obligations that involve the general manager:

Section 28

Section 28 obliges the lottery corporation to comply with directives made by the general manager (note – any such directives must first be approved by the minister). The types of directive that the general manager may issue to the lottery corporation are outlined in Section 28 (a) through (l).

Section 75

Under Section 75, the lottery corporation must not use, or permit the use, of gaming supplies that have not been certified by the general manager.

Section 78(2)

This section gives the general manager the authority to conduct audits and investigations "to monitor compliance of the lottery corporation with this Act and the regulations".

Section 86

The lottery corporation has an obligation to provide the general manager certain information about criminal conduct, or about the commission of provincial offences occurring in connection with a lottery scheme.

This is Exhibit "HH" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1



355179

Bud Smith
 Board of Directors
 British Columbia Lottery Corporation
 74 Seymour Street
 West Kamloops BC V2C 1E2

Dear Mr. Smith:

This Mandate Letter confirms your organization's mandate, provides government's annual strategic direction and sets out key performance expectations for the 2017/18 fiscal year. On behalf of the Province of British Columbia, thank you for your leadership and the contributions made by the British Columbia Lottery Corporation over the past year in support of government's objective of providing legal gaming in a safe and responsible manner benefiting all British Columbians. In particular, congratulations on the efforts made towards the following contributions and achievements:

- Contributing to the integrity of gambling through the conduct and management of gambling in a social responsible manner, while exceeding the 2015/16 net income target of \$1.216 billion by \$97.5 million;
- Working with government to combat illegal gaming and advancing government's Anti-Money Laundering strategy, including enhancing Customer Due Diligence, and by providing funding for the Joint Illegal Gaming Investigation Team (JIGIT);
- Working with government to implement commitments from the Plan for Public Health and Gambling (February 2015), including completing three and making significant progress on four of the commitments that pertain to the Corporation;
- Attaining a Comprehensive Cost Ratio of 42% and surpassing the 2015/16 target of 43.3%; and,
- Substantially completing the recommendations made by Internal Audit & Advisory Services (IAAS).

.../2

- 2 -

B.C.'s Corporate Governance Framework takes a principles-based approach in providing direction for effective governance of ministries and Public Sector Organizations (PSOs). Since June 2014, the Taxpayer Accountability Principles (TAP) have provided guidance to ensure that the actions taken and services provided strengthen accountability and promote cost control while meeting the public policy objectives established by government on behalf of the citizens of B.C. I would also like to recognize the contributions BCLC makes to local and regional economies in British Columbia, and in particular the importance of the corporation's head office to the Kamloops area.

It is critical that public sector organizations operate as efficiently as possible, in order to ensure British Columbians are provided with effective services at the lowest cost possible. This requires constant focus on maintaining a cost-conscious and principled culture through the efficient delivery of services that stand the test of public scrutiny and help develop a prosperous economy in an environmentally sustainable manner. This is critical to government's commitment to control spending and balance the budget. For this reason, it is essential that BCLC contains costs and meets its projected revenue targets.

Government is making open information a priority across the public sector to enhance government transparency and accountability in the use of public resources, the delivery of programs and public services. With that in mind, it is government's expectation that BCLC will foster a culture of transparency and information sharing with government.

Government seeks to deliver legal gaming in a sound and responsible manner that promotes the integrity of gaming and public safety. Under the *Gaming Control Act*, the Lottery Corporation is responsible for the conduct and management of gaming on behalf of government. The Lottery Corporation is directed to conduct its business in a manner that meets government's expectations for social responsibility, public safety, gaming integrity, and projected financial targets. This is achieved through a culture of innovation and cost containment as well as commitment to responsible gambling and anti-money laundering efforts. To achieve this mandate, the British Columbia Lottery Corporation is specifically directed to take the following strategic actions:

1. BCLC will optimize the Corporation's financial performance and sustain net return to the Province in accordance with government direction on cost containment, responsible gambling, and anti-money laundering, and in alignment with the Taxpayer Accountability Principles by:
 - a) Continuing to seek business opportunities such as new gambling facilities and eGaming from a social responsible perspective with particular attention to impacts on problem gambling, money laundering, public safety, and subsequently developing strategies to mitigate risk;
 - b) Providing a long term Capital Plan to the Ministry of Finance setting out the corporation's capital and spending and management plans, including significant IT and Kamloops head office facility development projects, over the next five years;

- 3 -

- c) Reviewing its approach to commissions paid to gaming service providers and implementing changes subject to the approval of its board of directors;
 - d) Achieving financial targets as approved by Treasury Board;
 - e) Reporting on the implementation of the new PlayNow subsidiary, which will be managed by the same controls and accountabilities to BCLC's Board; and
 - f) Providing quarterly reports to the Ministry of Finance that provide financial forecasts, and discuss and identify issues and risks.
2. Continue to support government in the implementation of its Anti-Money Laundering (AML) Strategy and mitigation of related illegal activities, including but not limited to:
- a) Undertaking activities to ensure the Corporation's compliance regime is focused on preserving the integrity and reputation of B.C.'s gaming industry in the public interest;
 - b) Working collaboratively with GPEB to determine and implement measures that effectively combat money laundering and illegal activities in B.C. gambling facilities;
 - c) Funding, in accordance with government's announced direction, the Joint Illegal Gaming Investigation Team (JIGIT), a dedicated, coordinated, multi-jurisdictional investigative and enforcement response to unlawful activities within B.C. gaming facilities and illegal gambling in B.C.;
 - d) Collecting and sharing information and data with GPEB that supports measures to address money laundering in B.C. gaming facilities, illegal gaming in the province, and JIGIT operations; and
 - e) Enhancing AML best practices with appropriate consideration of evaluating source of funds prior to cash acceptance within a risk-based framework; and
 - f) Providing a quarterly report to the Minister of Finance on BCLC's activities related to the above.
3. Implement the five remaining commitments that BCLC is responsible for in the *Plan for Public Health and Gambling (February 2015)*. This includes offering time and money budgeting tools to Encore Rewards members and PlayNow.com customers and implementing customized responsible gambling messaging on PlayNow.com. BCLC will continue to partner with GPEB in the implementation of the four remaining commitments for which they are jointly responsible, including implementing a GameSense Advisor presence in Community Gaming Centres and undertaking key research projects related to online problem gambling and high-risk features of Electronic Gaming Machines. BCLC will submit bi-annual progress reports to the Minister of Finance and the General Manager, GPEB on the implementation of commitments under the Plan.
4. BCLC will report out on the completion of implementation of the recommendations from the *Review of the British Columbia Lottery Corporation (December 2014)* by Internal Audit and Advisory Services by June 30, 2017.

- 4 -

The ongoing culture shift to principled public sector governance remains a priority for government. PSOs are expected to undertake more comprehensive professional development to enhance orientation of their board members and senior executives. Government will be providing programming and resources designed to complement components of orientation to ensure understanding of the accountabilities and expectations of public sector boards and organizations. For detailed information about TAP directives, please refer to the following link, [Taxpayer Accountability Principles](#).

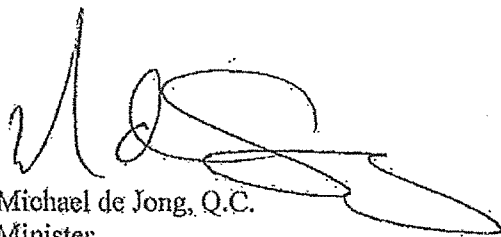
Government is committed to continue to revitalize the relationship between Government and PSOs. This strong focus on increased two-way communication supports and ensures a common understanding of Government's expectations. Timely communication of emerging issues which may affect the business of the British Columbia Lottery Corporation and/or the interests of government is critical to building trust and the effective delivery of public services, including information on any risks to achieving financial forecasts and performance targets. With the TAP embedded in the Annual Service Plans and Reports, this will support board chairs in assessing and communicating the organization's overall performance.

In addition, it is expected that your organization will continue to be diligent in ensuring familiarity with and adherence to statutory obligations and policies that have broad application across the public sector. Please refer to the following link for a summary of these accountabilities, [link to Crown Accountabilities](#).

Each board member is required to acknowledge the direction provided in the Mandate Letter by signing this letter. The Mandate Letter is to be posted publicly on your organization's website, and a copy signed by all board members provided to the ministry and made available to the public upon request.

I look forward to our regular meetings focusing on strategic priorities, performance against TAP, and working together to protect the public interest at all times.


Sincerely,



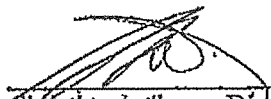
Michael de Jong, Q.C.
Minister

- 5 -


Signed by:


 Bud Smith, Chair
 British Columbia Lottery Corporation


December 5, 2016
 Date


 Christina Anthony, Director
 British Columbia Lottery Corporation

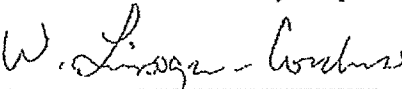
Dec 5, 2016
 Date


 Trudi Brown, Director
 British Columbia Lottery Corporation

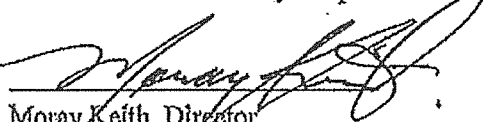
December 5, 2016
 Date


 Robert Holden, Director
 British Columbia Lottery Corporation

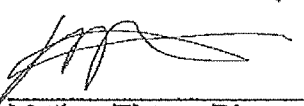
Dec 5, 2016
 Date


 Wendy Lisogor-Cocchia, Director
 British Columbia Lottery Corporation


Dec 5/16
 Date


 Moray Keith, Director
 British Columbia Lottery Corporation

Dec. 5/16
 Date


 Matthew Watson, Director
 British Columbia Lottery Corporation

Dec 5, 2016
 Date


 Andrew Brown, Director
 British Columbia Lottery Corporation

Dec 5 116
 Date

- 6 -

cc: Honourable Christy Clark
Premier

Kim Henderson
Deputy Minister to the Premier and Cabinet Secretary

Athana Mentzelopoulos
Deputy Minister and Secretary to Treasury Board
Ministry of Finance

Cheryl Wenezenki-Yolland
Associate Deputy Minister
Ministry of Finance

Christina Anthony
Trudi Brown
Robert Holden
Wendy Lisogar-Cocchia,
Moray Keith
Matthew Watson
Andrew Brown

Board Members
Public Sector Organization

Jim Lightbody
Chief Executive Officer
British Columbia Lottery Corporation

John Mazure
Assistant Deputy Minister
Gaming Policy and Enforcement Branch

Attachment: Taxpayer Accountability Principles

- 7 -

Further information available at: <http://gov.bc.ca/crownaccountabilities>

1. Cost Consciousness (Efficiency)	Strengthen cost management capabilities and foster a culture of cost-consciousness at all levels of public sector organizations. Provide public services and programs as efficiently and effectively as possible to "bend the cost curve" and support sustainable public policies and programs as a lasting legacy for generations to come.
2. Accountability	Transparently manage responsibilities according to a set of common public sector principles in the best interest of the citizens of the province. By enhancing organizational efficiency and effectiveness in the planning, reporting and decision making, public sector organizations will ensure actions are aligned with government's strategic mandate.
3. Appropriate Compensation	Comply with a rigorous, standardized approach to performance management and employee compensation, which reflects appropriate compensation for work across the public sector that is consistent with government's taxpayer accountability principles and respectful of the taxpayer.
4. Service	Maintain a clear focus on positive outcomes for citizens of British Columbia by delivering cost-efficient, effective, value-for-money public services and programs.
5. Respect	Engage in equitable, compassionate, respectful and effective communications that ensure all parties are properly informed or consulted on actions, decisions and public communications in a timely manner. Proactively collaborate in a spirit of partnership that respects the use of taxpayers' monies.

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6 Integrity

Make decisions and take actions that are transparent, ethical and free from conflict of interest. Require the establishment of a strong ethical code of conduct for all employees and executives. Serve the citizens of British Columbia by respecting the shared public trust and acting in accordance with the taxpayer accountability principles.

This is Exhibit "II" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1

**Ministry of
Finance**

**2017/18 – 2019/20¹⁹
SERVICE PLAN**

February 2017



For more information on the British Columbia
Ministry of Finance,
see Ministry Contact Information on Page 18 or contact:

Ministry of Finance
PO BOX 9417
STN PROV GOVT
VICTORIA, BC
V8W 9V1

or visit our website at
www.gov.bc.ca/fin

Published by the Ministry of Finance

Minister Accountability Statement



The *Ministry of Finance 2017/18 – 2019/20 Service Plan* was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the basis on which this plan has been prepared.

I wish to thank the incredibly dedicated staff at the Ministry of Finance. I am proud to work, every day, with such a committed team of professionals.

A handwritten signature in black ink, appearing to read 'M. de Jong', with a stylized flourish at the end.

Honourable Michael de Jong
Minister of Finance
February 16, 2017

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Purpose of the Ministry

The [Ministry of Finance](#) plays a central role in managing government's fiscal, financial, information management and taxation policies. Key responsibilities of the Ministry include:

- Policy development, regulation and enforcement for specific sectors including gaming, financial services, real estate and information management.
- Developing forecasts of the provincial economy; developing and monitoring government's capital plan and three-year fiscal plan; and managing significant risks and opportunities relating to the plan.
- Oversight for financial, procurement and administrative governance as well as banking, accounting, and risk and debt management services for the broader public service.
- Identifying and collecting amounts owed to the government in relation to statutes the Ministry directly administers, as well as statutes administered by other ministries.
- Leading the cross-government implementation of the [Taxpayer Accountability Principles](#) to strengthen accountability, promote cost control and ensure that public sector entities operate in the best interest of taxpayers.
- Performance and financial management audits of ministry, agency and Crown corporation programs and functions to help improve efficiency and ensure governance, management and control systems are operating effectively.
- Operation of the [Government House](#) and supervision of the [BC Securities Commission](#), [BC Lottery Corporation](#), [Partnerships BC](#), and [Real Estate Council of BC](#).

Strategic Direction and Context

Strategic Direction

Sound fiscal management is the foundation for continued growth for B.C.'s diverse economy. The Ministry supports Government's commitment to building a strong economy and secure tomorrow for British Columbians. The Ministry will continue to deliver on both government-wide and ministry specific strategic priorities and initiatives as outlined in the [Province of British Columbia Strategic Plan 2016/17-2019/20](#) and the Minister's [Mandate Letter](#).

Economic Context

The Economic Forecast Council (EFC) expects B.C.'s real GDP to grow by 2.3 per cent in 2017 and 2.2 per cent in 2018. Meanwhile for Canada, the EFC projects national real GDP growth of 1.9 per cent in 2017 and 2.0 per cent in 2018. As such, B.C.'s economic growth is expected to outperform Canada in the coming years. Downside risks to B.C.'s economic outlook include the potential for a slowdown in North American economic activity, ongoing fragility in Europe, slower than anticipated Asian demand (particularly in China), and uncertainty in the outlook for the Canadian dollar.

Goals, Objectives, Strategies and Performance Measures

In general, the Ministry strives to ensure that the Service Plan, and particularly its performance measures and targets, remain consistent in order to provide citizens with a basis for evaluating our performance over time. The majority of the Ministry's goals and objectives remain the same from year-to-year with incremental changes in strategies to reflect progress and further actions toward certain business goals. For example, we have added a strategy referencing the new anti-money laundering program related to the regulation of gaming.

With regards to performance measures, two are being updated in this service plan to more accurately reflect the Ministry's operations. The measure related to the effectiveness of revenue collection programs is being refined in 2017/18 and a new baseline will be established. An update has also been made to the performance measure related to processing Freedom of Information (FOI) requests. The new metric reflects a key attribute of service valued by clients of the FOI system – timeliness.

Two new objectives have been added to reflect oversight of the province's real estate and financial sectors. This includes oversight of the Real Estate Council of BC, a crown corporation responsible for licensing individuals and brokerages engaged in real estate sales.

Goal 1: Sound and transparent management of government finances

Confidence in British Columbia's economy is important for attracting investment and creating jobs. Responsible fiscal policies ensure that the government can maintain and enhance the delivery of key public services and that the costs of public services are not passed on to future generations.

Objective 1.1: Effective management of government's fiscal plan

The government's ability to achieve a sustainable fiscal environment relies on the development and maintenance of a prudent and resilient fiscal plan. The Ministry plays a critical role in overseeing the fiscal plan and works closely with the federal government, provincial ministries and other public sector partners to ensure that government's annual and three-year revenue, and operating and capital expenditure targets are met.

Strategies

- Continuously monitor revenues, spending and debt set out in [Budget 2017](#) and take corrective action as required to meet targets.
- Ensure effective cash management to minimize borrowing requirements and debt service costs.
- Undertake investor tours to promote and market B.C. as a good place to invest.

- Lead and / or support trade missions as part of B.C.'s international engagement strategy to increase the province's trade presence in key markets and support economic growth in priority sectors as well as Plan objectives.
- Support increased trade and investment with B.C. by issuance and promotion of local currency bonds where strategic and cost effective opportunities arise.
- Manage government's capital plan ensuring strategic investments in infrastructure across the province, including hospitals, roads and schools, reflect the priorities of government.

Performance Measure 1: Provincial Credit Rating

Performance Measure	2016/17 Forecast	2017/18 Target	2018/19 Target	2019/20 Target
Provincial credit rating	triple-A	triple-A	triple-A	triple-A

Data Source: Moody's Investors Service and/or Standard and Poor's (Credit Rating Agencies).

Discussion

This measure is the provincial credit rating determined by independent credit rating agencies. Triple-A is the highest possible rating and it is provided only to those public and private sector organizations that are assessed as borrowers with excellent financial security and pose the lowest risk for investor loss. Organizations with a triple-A credit rating are generally offered the lowest interest rates when borrowing in domestic and international capital markets. British Columbia has benefited significantly from our triple-A credit rating as the lowest-cost borrower among provinces in Canada. This is illustrated by comparing B.C. to similar jurisdictions in Canada who have lower credit ratings and, as such, higher borrowing costs. If B.C. had the same public debt charges as a percentage of revenue and credit rating as these jurisdictions, the province would be paying, on average, an additional \$2.23 billion in annual debt service costs. With government's continued focus on prudent fiscal management, it anticipates maintaining its triple-A credit rating.

Performance Measure 2: Budget Surplus

Performance Measure	2016/17 Forecast	2017/18 Target	2018/19 Target	2019/20 Target
Budget surplus	\$1,458M surplus	As set out in government's fiscal plan	As set out in government's fiscal plan	As set out in government's fiscal plan

Data Source: British Columbia Budget and Fiscal Plan.

Discussion

This measure reflects the Ministry's overall success in implementing the government's fiscal plan. Government will continue to uphold its commitment to deliver a balanced budget in 2017/18 and for future years.

Objective 1.2: Accountable, efficient and transparent financial and program management across government

The Ministry supports accountability and transparency through the public release of financial and program information, and a variety of governance frameworks that apply to ministries and the broader public sector. The successful implementation of effective governance frameworks supports increased value for use of public funds and contributes to public confidence in government.

Strategies

- Ensure appropriate financial and program management, systems and guidance are in place for the broader public service.
- Continue transformation of government's financial management monitoring and reporting processes and systems.
- Continue to leverage existing banking agreements, risk management and insurance services across the broader public sector to reduce costs and improve services.
- Provide advice to the broader public sector on the implementation of Enterprise Risk Management (ERM) frameworks in alignment with government ERM policies and resources.
- Meet statutory reporting requirements and comply with generally accepted accounting principles (GAAP).

Performance Measure 3: Audit Opinion of Public Accounts

Performance Measure	2016/17 Forecast	2017/18 Target	2018/19 Target	2019/20 Target
Audit opinion provided by the Office of the Auditor General	Public Accounts will be in compliance with GAAP	Public Accounts in compliance with GAAP	Public Accounts in compliance with GAAP	Public Accounts in compliance with GAAP

Data Source: Release of the *Public Accounts*.

Discussion

This measure is an indication of government's transparency in accounting for its finances. In preparing the *Public Accounts*, the Ministry strives to provide an open, accurate and fair representation of the government's financial position in accordance with generally accepted accounting principles (GAAP). To validate this position, government seeks an independent audit opinion that offers an objective assessment of its financial reporting.

Goal 2: A strong, competitive and vibrant economy

Objective 2.1: A fair and competitive tax and regulatory environment

A tax system that is perceived by British Columbians to be fair increases their confidence in government. Furthermore, the Province's ability to support a strong economy depends on a tax and regulatory environment that is nationally and internationally competitive. Jurisdictions with competitive tax regimes and regulatory frameworks are successful in attracting and retaining personal and business investment.

Strategies

- Support the [BC Jobs Plan](#) through tax initiatives, fiscal responsibility, and the elimination of red tape in order to foster an environment that encourages economic growth and business success.
- Continue to support the development of a liquefied natural gas industry in the province.
- Ensure financial services and real estate regulatory frameworks are efficient and effective, and protect the public interest.
- Continue to pursue with the federal and other provincial governments the establishment of a [Cooperative Capital Markets Regulator](#) for Canada that protects and supports B.C.'s interests and ensures the province's securities industry is not negatively impacted.

Performance Measures 4, 5 and 6: Provincial Income Tax Ranking

Performance Measure	2016/17 Forecast	2017/18 Target	2018/19 Target	2019/20 Target
Provincial ranking of corporate income tax rates	Lowest	Remain in the lowest four	Remain in the lowest four	Remain in the lowest four
Provincial ranking of personal income tax rates for the bottom tax bracket	Second lowest	Remain in the lowest two	Remain in the lowest two	Remain in the lowest two
Provincial ranking of personal income tax rates for the second-from-bottom tax bracket	Lowest	Remain in the lowest two	Remain in the lowest two	Remain in the lowest two

Data Source: Published legislation and budgets from all 10 provinces.

Discussion

The measure of the provincial ranking of corporate income tax rates compares the general corporate income tax rate in B.C., as of March 31 each year, to those of other provinces in Canada. The targets reflect government's commitment to maintaining a competitive tax environment that fosters economic growth by encouraging business investment and promoting a business-friendly environment.

The two measures of the provincial ranking of personal income tax rates provide a comparison of B.C.'s personal income tax rates for the bottom two tax brackets, as of March 31 each year, with those

of the other nine provinces. These targets demonstrate government's commitment to maintaining low tax rates for individuals and families living and working in the province.

Objective 2.2: Responsive, effective and fair revenue, tax and benefit administration that funds provincial programs and services

The Ministry manages revenue in relation to statutes it directly administers, as well as statutes administered by other ministries. These revenues support the provision of important government programs and services such as health care, education, social services and transportation infrastructure for British Columbians. The Ministry is committed to identifying and collecting amounts owed to government in a manner that is fair and respectful to citizens and taxpayers.

Strategies

- Implement technology that fosters better engagement with citizens, provides taxpayers with access to higher quality services and improves compliance and enforcement activities.
- Help individuals and businesses to better understand their financial obligations and to pay the correct amount on time.
- Continue work on the Revenue Transformation Initiative to consolidate government's tax and royalty revenue programs onto government's corporate tax administration system to reduce administration costs and simplify and streamline services for businesses and citizens.
- Collaborate across jurisdictions to help ensure tax revenue owed to the province is identified and received in a timely manner.

Performance Measure 7: Revenue Specific Measure

Performance Measure	2017/18 Target	2018/19 Target	2019/20 Target
Performance measure under development, baseline measure will be established in 2017/18	Establish baseline	TBD	TBD

Discussion

In coming months, as part of the ongoing Revenue Transformation Initiative, the ministry will be developing a new measure to report on the efficacy of the province's revenue collection programs. A baseline will be established in 2017/18 and targets will be set for outgoing years.

Objective 2.3: Public confidence in B.C.'s housing market

A well-regulated real estate market and access to affordable housing are critical to supporting investment and jobs for British Columbians. Significant changes to the *Real Estate Services Act* were made in 2016 to increase oversight of the real estate industry and enhance consumer protection. In addition to legislative changes, to further enhance government's oversight, responsibility for real estate was moved from the Financial Institutions Commission (FICOM) to the newly created Office of the Superintendent of Real Estate. The Ministry manages policy development and regulation for the

real estate sector while the Office of the Superintendent of Real Estate has direct oversight of the [Real Estate Council of BC](#), a crown corporation responsible for licencing individuals and brokerages engaged in real estate sales.

Strategies

- Strengthen consumer protection in B.C.'s real estate market through oversight of real estate licensees as well as unlicensed real estate activity.
- Administer additional property transfer tax, including compliance and enforcement activities.
- Administer the Housing Priority Initiatives Special Account to increase access to affordable housing.
- Support policies that make home ownership increasingly accessible for B.C. families.

Objective 2.4: Public confidence in B.C.'s financial sector

The Ministry has direct oversight of FICOM, a regulatory agency of government that administers six statutes regulating the pension and financial services in B.C. FICOM safeguards confidence and stability in B.C.'s financial sector by ensuring that institutions and pension plans in these sectors remain solvent and by protecting consumers from undue loss and unfair market conduct.

Strategies

- Administer legislation that regulates the province's pensions, financial services and mortgage broker sectors.
- Utilize a risk-based supervisory framework to proactively identify, and intervene to correct, any imprudent or unsafe business practices conducted by regulated pension plans, credit unions, insurance companies, and trust companies.
- Protect consumers of financial services by implementing proactive market conduct strategies, investigating complaints, and taking enforcement action where appropriate.
- Conduct robust assessments of new industry participants, to ensure unsuitable parties do not participate in the regulated markets.
- Collaborate with government, other regulators, and industry partners to implement national and international regulatory best practices and to improve protections for British Columbians.
- Through the Credit Union Deposit Insurance Corporation, administer the deposit insurance fund that safeguards deposits placed with B.C. credit unions.

Goal 3: Confidence in public sector organizations

The Ministry leads and promotes sound governance, accountability and social responsibility to ensure confidence and trust in public programs and services.

Objective 3.1: Government has effective oversight of public sector organizations

Public sector organizations are established by government to serve the public interest and to advance overall public policy objectives. These include Crown corporations, post-secondary institutions, health authorities, school districts, commissions, and councils. Collectively, these [organizations](#) manage billions of dollars in assets and liabilities and operate in many sectors of the provincial economy, including transportation, energy and resources, and oversee the delivery of core services such as health care, education, and public utilities. Effective oversight of these organizations is critical to protect taxpayers, ensure strategic alignment with government's priorities and preserve public confidence in the management of public sector programs and services.

Strategies

- Ensure Crown corporations adhere to the fiscal responsibility and transparency guidance outlined in the Taxpayer Accountability Principles.
- Provide policy leadership and advice to ensure public sector organizations are fiscally transparent, deliver effective and efficient programs, and adhere to accountability standards within a principled governance framework.
- Build and maintain a strong corporate governance capacity within government and the broader public sector by providing tools, education and professional development opportunities.
- Continue reviews of designated public sector organizations, ministry programs and Crown corporations.
- Continue to integrate corporate governance and financial management oversight between central agencies and ministries.

Objective 3.2: Public confidence in B.C.'s gaming sector

Commercial and licensed charitable gaming in B.C. is a \$3.1 billion a year industry, contributing \$1.29 billion annually to government revenue to support health care, local governments and thousands of community organizations.

The Ministry is responsible for the integrity and regulation of gaming, including horse racing, in B.C. This includes regulatory oversight of the BC Lottery Corporation, licensed charitable gaming, and problem gambling programs.

Strategies

- Ensure policies and the regulatory framework for gaming and horse racing in B.C. is fair, appropriate and transparent to support the integrity of gaming and provide a foundation for assessing compliance.

- Align activities and services to reflect current and emerging gaming sector trends, and focus resources on business priorities, and areas of opportunity and greatest risk.
- Implement initiatives to enhance government's Anti-Money Laundering (AML) Strategy including a risk-based cash acceptance framework.
- Implement the second team in the Joint Illegal Gaming Investigation Team to support of the AML Strategy.
- Ensure that commercial and charitable gaming is delivered in a manner that encourages responsible gambling and informed choice.

Objective 3.3: Ensure government is open and transparent

The Ministry provides corporate leadership across government to modernize and transform government's information management legislation, policies, practices, operations and training. These efforts focus upon improving the capacity of public service employees to effectively manage government records, protect sensitive and personal information and provide timely and comprehensive responses to freedom of information (FOI) requests.

Strategies

- Provide timely and appropriate information to the public through FOI and proactive disclosures.
- Develop and implement service enhancements for freedom of information requests.
- Oversee the implementation of all [recommendations](#) made by former Information and Privacy Commissioner David Loukidelis, Q.C. on how best to implement the recommendations made by B.C.'s Information and Privacy Commissioner, Elizabeth Denham in her October 22, 2015, investigation [report](#).
- Ensure that government information stewardship is supported by effective information management policies, practices and tools.
- Work with stakeholders across government to develop and implement enhanced privacy protection policies, procedures, training, compliance reviews and audits.

Performance Measure 8: Productivity Improvements in Processing Freedom of Information

Performance Measure	2015/16 Baseline	2016/17 Forecast	2017/18 Target	2018/19 Target	2019/20 Target
Percent of Freedom of Information Requests Completed On-Time	74%	77%	79%	81%	83%

Data Source: AXIS System.

Discussion

This measure is of significant interest to clients and provides an indication of government and the ministry's annual performance in completing FOI requests within the due dates defined by legislation. The measure includes both personal requests (e.g. an individual's request for their own records) and general requests for non-personal information. The measure provides an outcome-based assessment of the FOI operation's overall performance and adherence to legislative timelines.

Resource Summary

Core Business Area	2016/17 Restated Estimates ¹	2017/18 Estimates ⁵	2018/19 Plan	2019/20 Plan
Operating Expenses (\$000)				
Treasury Board Staff	6,691	6,701	6,725	6,725
Office of the Comptroller General	18,605	18,726	18,823	18,823
Treasury	1	1	1	1
Revenue Division	82,925	89,762	90,350	90,378
Policy and Legislation				
Policy and Legislation	4,963	4,972	4,991	4,991
Financial Institutions Commission ²	1	1,334	1,399	1,399
Office of the Superintendent of Real Estate ³	0	1	1	1
Public Sector Employers' Council Secretariat	16,634	16,637	16,646	16,646
Corporate Information and Records Management Office	15,307	18,951	19,150	19,150
Internal Audit and Crown Governance	2,801	2,805	2,819	2,819
Board Resourcing and Development Office	449	451	453	453
Executive and Support Services	30,569	29,448	29,982	29,983
Gaming Policy and Enforcement	19,055	19,146	19,220	19,220
Insurance and Risk Management Account	4,178	4,180	4,199	4,199
Provincial Home Acquisition Wind Up special account	10	10	10	10
Housing Priority Initiatives special account ⁴	0	88,200	316,873	323,076
Total	202,189	301,325	531,642	537,874
Ministry Capital Expenditures (Consolidated Revenue Fund) (\$000)				
Executive and Support Services	427	310	310	310
Total	427	310	310	310

Other Financing Transactions (\$000)				
Reconstruction Loan Portfolio				
Receipts	(8,000)	(5,000)	(4,000)	(3,000)
Disbursements	75	50	40	30
Net Cash Disbursed/(Received)	(7,925)	(4,950)	(3,960)	(2,970)
Student Aid BC Loan Program				
Receipts	(115,000)	(115,000)	(115,000)	(115,000)
Disbursements	230,000	230,000	230,000	230,000
Net Cash Disbursed/(Received)	115,000	115,000	115,000	115,000
International Fuel Tax Agreement (Motor Fuel Tax Act)				
Receipts	(13,000)	(13,000)	(13,000)	(13,000)
Disbursements	2,650	3,000	3,000	3,000
Net Cash Disbursed/(Received)	(10,350)	(10,000)	(10,000)	(10,000)
Land Tax Deferral Act				
Receipts	(64,000)	(64,000)	(70,000)	(77,000)
Disbursements	132,000	132,000	145,000	195,000
Net Cash Disbursed/(Received)	68,000	68,000	75,000	118,000
Provincial Home Acquisition Wind Up special account				
Receipts	(5)	0	0	0
Net Cash Disbursed/(Received)	(5)	0	0	0

1. For comparative purposes, amounts shown for 2016/17 have been restated to be consistent with the presentation of the Budget 2017 Estimates.
2. The Financial Institutions Commission (FICOM) was approved for \$1.4 million of funding in support of increased financial services sector oversight.
3. The Office of the Superintendent of Real Estate (OSRE) was established as a \$1,000 vote under the Policy and Legislation sub-vote in the Ministry of Finance Operations vote to enhance governance and accountability of the provincially-regulated real estate industry.
4. This special account was established under the *Special Accounts Appropriation and Control Act* effective July 28, 2016, for the purposes of supporting housing, rental, and shelter programs as set out under the Act. Pursuant to the Act: expenses include acquisition, construction, maintenance, renovation, support payments, and administrative costs; revenue and recoveries include transfers, receipts, and interest allocated; receipts include repayment of loans issued and interest paid on those loans; and, disbursements include loans issued, support payments, and payments in respect of loan guarantees.
5. Further information on program funding and vote recoveries is available in the [Estimates and Supplement to the Estimates](#).

Significant IT Projects

Significant IT Projects	Targeted Completion Date (Year)	Approved Anticipated Total Cost of Project (\$ millions)
<p>Revenue Transformation Initiative (RTI)</p> <p>Objective: Transform tax services across a broad range of tax programs; changing how government conducts business, delivers services and achieves key strategic outcomes.</p> <p>Benefits: Enhanced digital services to improve service quality and make it easier to do business with government; improved access to government information and data for better transparency and accountability; and, reduced costs, complexity and administrative burden.</p> <p>Our Strategy: Reduce costs, complexity and optimize revenue by consolidating programs on to the current strategic platform for tax administration. The plan is to roll out the initiative in multiple phases:</p> <ul style="list-style-type: none"> • Phase 1: Logging Tax, Insurance Premium Tax, Mineral Tax, Mine Safety & Health Inspection Fee, and Non-Tax revenue programs • Phase 2: Property Transfer Tax, Rural Property Tax, Home Owner Grant and Provincially administered taxes • Phase 3: Oil and Gas Royalty • LNG: In January 2016, the scope of RTI was increased with the new LNG Income Taxation Program 	2019	\$45.816

Appendices

Appendix A: Ministry Contact Information and Links to Additional Information

Ministry Central Office

PO Box 9417 Stn Prov Govt
Victoria BC V8W 9V1
Phone: 250 387-3184

Minister's Office

Honourable Michael de Jong
PO Box 9048 Stn Prov Govt
Victoria BC V8W 9E2
Phone: 250 387-3751

Media Queries

Phone: 250 356-2821

Problem Gambling Help Line

For help in recognizing the warning signs of problem gambling and to get information on free programs, services and resources available to assist problem gamblers and their families:

Call 1 888 795-6111 or visit www.bcreponsiblegambling.ca (confidential, free service available 24 hours/7 days, in multiple languages)

Tax Questions

For questions about British Columbia's Provincial Sales Tax, Motor Fuel Tax, Tobacco Tax, Carbon Tax, Tax on Designated Property and Residential Energy Credit and Rebate program:

Toll-free anywhere in B.C. 1 877 388-4440 or email: CTBTaxQuestions@gov.bc.ca

Reports and Publications

For the Budget and Fiscal Plan, Estimates, Public Accounts, Quarterly Reports, Financial and Economic Review, and other reports and publications of the British Columbia Ministry of Finance, please visit: www.fin.gov.bc.ca/pubs.htm

For more information and other Ministry Service Plans and Annual Service Plan Reports, please visit: <http://www.bcbudget.gov.bc.ca/default.htm>

Listing of Ministry Legislation

<http://www.bclaws.ca/civix/document/id/amr/amr/172897626>

The Minister of Finance is also the Minister responsible for the following Crown corporations, Boards and Commissions:

Crown Corporations

- BC Securities Commission: www.bcsc.bc.ca/
- BC Lottery Corporation: www.bclc.com/
- Partnerships BC: www.partnershipsbcc.ca/
- Real Estate Council of British Columbia: www.recbc.ca/

Boards and Commissions

- Financial Institutions Commission: www.fic.gov.bc.ca/
- Financial Services Tribunal: www.fst.gov.bc.ca/
- Insurance Council of British Columbia: www.insurancecouncilofbc.com/PublicWeb/
- Public Sector Employers' Council: www.fin.gov.bc.ca/psec/

B.C. Public Service Agency

Purpose of the Agency

The B.C. Public Service Agency provides human resource leadership, expertise, services and programs that contribute to better business performance of ministries and government as a whole.

Strategic Direction and Context

Strategic Direction

The B.C. Public Service is the largest corporate workforce in the province, serving all communities across British Columbia. From frontline workers to accountants and architects, researchers and analysts, information technology professionals and others, there is virtually no area of expertise unrepresented. Public servants provide a wide range of services to British Columbians such as health care, public safety, education, and environmental management, to name a few.

The B.C. Public Service Agency supports the work these public servants do by providing human resource services such as hiring, payroll, labour relations and learning. In doing so, it helps ensure the B.C. Public Service continues to have the right people to do that work.

This service plan includes the priorities and initiatives that were outlined in the Minister of Finance's [Mandate Letter](#). Additionally, the ministry is supportive of and compliant with the [Taxpayer Accountability Principles](#).

Strategic Context

The Canadian economy slowly continues to improve, with a brighter outlook for 2017 than experienced in 2016. Most regions are forecasting economic expansion over the next couple of years. In particular, British Columbia is expected to continue as one of the leading provinces for economic growth. As the economy improves, so does the possibility for a tightening of the labour market, where organizations can expect increased competition for skilled employees.

Changing demographics, such as an aging and increasingly diverse population, continue to influence employers in many ways. An aging workforce is contributing to rising benefits costs through factors such as higher benefit utilization, increased absenteeism and escalating health premiums. As benefits costs make up an increasing percentage of the total cost of employment, the B.C. Public Service is working to contain these costs through a proactive and preventative approach to supporting a healthy and productive workforce.

While global economic influences delayed the retirement of many baby boomers, the oldest of this cohort is now aged 70 and are exiting the workforce in growing numbers. This exodus is only expected to increase, and when combined with fewer entrants to the workforce and greater demand for

skilled workers, will bring about both labour and skill shortages. The increased competition will require organizations to put greater emphasis on recruitment and retention.

Statistics Canada predicts that by 2030, net population growth in Canada will be due to immigration, which will partially offset the effects of our aging population, but will not be enough to prevent the tightening of the labour market. At the same time, the expected growth in immigration indicates the Canadian public sector can expect increased diversity in both their workforce, as well as the citizens they serve.

Recognizing this changing dynamic, the B.C. Public Service Agency is responsible for ensuring the Public Service has the commitment, capacity and capability within its workforce to meet the needs of British Columbians now and in the future.

Goals, Objectives, Strategies and Performance Measures

Goal 1: A Public Service that attracts, enables, develops and retains a highly skilled and professional workforce.

Objective 1.1: Supports the B.C. Public Service to develop the commitment, capacity and capability in the workforce to meet business needs.

Objective 1.2: Support public service workplaces to be healthy, inclusive and productive.

Strategies

- Implement the new corporate plan [*Where Ideas Work*](#) with an emphasis on succession management, employee development, knowledge transfer, recruitment of new talent, and embedding innovation into our culture to address the expected increase in retirements and shortage of skilled labour.
- Build and implement a comprehensive succession management program focused on leadership development and succession priority operational roles to ensure essential talent pipelines are built and the depth of talent is improved across the B.C. Public Service.
- Implement a Health Strategy 2.0 that takes a proactive and preventative approach in supporting a healthy and productive workforce and avoiding B.C. Public Service benefit cost increases due to illness and disability.
- Seek opportunities to refine the delivery of human resource (HR) services to align with leading practices, reduce HR transactional costs, improve service quality and redirect funding to specialized services.

- Encourage the broader public sector to leverage the investment in the human resource, payroll and technology services platform to create economies of scale and enable reinvestment in workforce initiatives.
- Continue supporting implementation of the corporate diversity strategy, *Reflecting our Communities*, including a renewed focus on enhancing accessibility and engagement for people with disabilities.
- In partnership with the Ministry of Aboriginal Relations, develop a framework and support initiatives to build public service capacity in Aboriginal reconciliation.
- Keep investing in technologies to automate the capture and transfer of critical employee data to improve the efficiency and integrity of data management to support improved evidence based decision making and strategic workforce planning.

Performance Measure 1: Absences related to illness and injury days per Full Time Equivalent (FTE)

Performance Measure	2012/13 Baseline	2016/17 Forecast	2017/18 Target	2018/19 Target	2019/20 Target
Absences related to illness and injury per FTE ¹	9 days	8.6 days	8.5 days	8.4 days	8.3 days

Data Source: B.C. Public Service Agency.

¹ For the purpose of this performance measure, absences refer to short term illness and non-occupational injuries.

Discussion

The B.C. Public Service recognizes that where employees are supported to optimize their health, better customer service to the public is provided. However, a workforce with changing demographics and the rising prevalence of chronic disease in the population in general are challenges faced not only by the B.C. Public Service, but by all employers in British Columbia.

This measure identifies the number of days lost due to illness and injury. The number of days lost over the last several years has stabilized and is expected to begin slowly declining as a result of ongoing health and safety programming. The B.C. Public Service is committed to an emphasis on earlier interventions and services which are expected to have long-term positive impacts on employee health outcomes. Over time this will result in continued lower leave absences due to illness and injury despite changes in workforce demographics.

The B.C. Public Service continues to compare favourably against the Canadian provincial public sector average of 9.8 days and the federal public sector at 11.9 days¹. The difference reflects our ongoing focus on health promotion and prevention services, at-work supports for employees with illnesses or injuries, and timely rehabilitation and return to work for employees who are off work due to an illness or injury.

¹Data Source: Statistics Canada

Performance Measure 2 and 3: Workforce utilization

Management of the BC Public Service	2015/16 Actual	2016/17 Forecast	2017/18 Plan	2018/19 Plan	2019/20 Plan
FTE Utilization in the Public Service	27,192	27,455	28,000	28,100	28,100
Auxiliaries as a percentage of the workforce	7.6%	6%	6%	6%	6%

Data Source: B.C. Public Service Agency

Discussion

Full-time equivalent staff utilization is projected to increase from 27,455 FTEs in 2016/17 to 28,000 in 2017/18 based on the need to increase various front line service positions across a few ministries including additional social workers, records management, financial and real estate oversight staff, park rangers, and employees for other environmental management, compliance and enforcement activities. There has also been some investment in corporate IT projects requiring some additional staff. Going forward, FTE utilization is projected to stabilize at around 28,100 in 2018/19.

The hiring of auxiliaries is intended to fill short-term business needs, either for an interim, cyclical or seasonal basis. Monitoring the proportion of auxiliaries in the workforce helps to ensure hiring levels support B.C. Public Service FTE utilization targets by maintaining an optimal balance between the permanent and temporary components of our workforce.

Resource Summary

Core Business Area	2016/17 Restated Estimates ¹	2017/18 Estimates ²	2018/19 Plan	2019/20 Plan
Operating Expenses (\$000)				
B.C. Public Service Agency	50,861	51,019	51,245	51,245
Benefits	1	1	1	1
Long Term Disability Fund special account	0	22,111	23,943	23,943
Total	50,862	73,131	75,189	75,189
Ministry Capital Expenditures (Consolidated Revenue Fund) (\$000)				
B.C. Public Service Agency	10	10	10	10
Total	10	10	10	10

1. For comparative purposes, amounts shown for 2016/17 have been restated to be consistent with the presentation of the 2017/18 Estimates.

2. Further information on program funding and vote recoveries is available in the [Estimates and Supplement to the Estimates](#).

Appendices

B.C. Public Service Agency Contact Information

Public Service Agency

810 Blanshard Street
V8W 2H2
PO BOX 9404 Stn Prov Gov't
V8W 9V1
Victoria B.C.

Phone: 250 952-6296

For more information on the B.C. Public Service Agency, please visit our website at:

<http://www.bcpublicserviceagency.gov.bc.ca/>

Legislation Administered by the Agency

Public Service Act

Public Service Benefit Plan Act

Public Service Labour Relations Act

The Public Sector Employers' Council and Employer Associations

Purpose

Public Sector Employers' Council Secretariat

The Public Sector Employers' Council Secretariat (PSEC) supports government in providing strategic direction in human resource management and labour relations, including the administration, development and implementation of labour relations policies for the broader provincial public sector. PSEC also supports the Minister of Finance in directing employers to create compensation plans for excluded and executive employees. PSEC represents government in its role as a partner in four pension plans², working with other partners to ensure plan sustainability, monitor risk exposure and provide policy advice to both government and public sector employers. PSEC's authority is contained in the [Public Sector Employers Act](#) and its authority related to pension plans is based on the [Public Sector Pension Plans Act](#) and joint trust agreements.

Employers' Associations

The mandates and purposes of employers' associations include coordinating compensation, benefit administration, bargaining and labour relations within their respective sectors, as outlined in [sections 6 and 7 of the Public Sector Employers Act](#). There are six public sector employers' associations:

- [British Columbia Public School Employers' Association](#) (BCPSEA)
- [Community Social Services Employers' Association](#) (CSSEA)
- [Crown Corporations Employers' Association](#) (CCEA)
- [Health Employers Association of British Columbia](#) (HEABC)
- [Post-Secondary Employers' Association](#) (PSEA)
- [University Public Sector Employers' Association](#) (UPSEA)

BCPSEA, CSSEA, HEABC, and PSEA serve as the accredited employer bargaining agents for their respective sectors and their funding is provided by PSEC. CCEA and UPSEA play a coordination and information-sharing role but do not serve as bargaining agents for their member employers.

² The four pension plans contained in the act are: College Pension Plan, Municipal Pension Plan, Public Service Pension Plan, and Teachers' Pension Plan. For more information see [PensionsBC.ca](https://pensionsbc.ca)

Strategic Direction

Public Sector Employers' Council Secretariat

Current PSEC strategies include:

- Developing and maintaining bargaining and compensation frameworks that incorporate government's fiscal and policy directions.
- Providing clear guidance and advice to public sector employers to ensure alignment with government objectives.
- Improving the quality and reliability of data to support negotiations and management of excluded and executive compensation.
- Building capacity in government with respect to strategic labour relations advice and pensions expertise.
- Working with plan partners to accomplish the objectives of the Public Sector Pensions Framework.

Resource Summary

Employer Associations Expenditures³

Core Business Area	2016/17 Forecast	2017/18 Estimates	2018/19 Plan	2019/20 Plan
Operating Expenses (\$000) ⁴				
Employer Associations	35,408	35,256	33,526	33,386

Contact Information

PO Box 9400 Stn Prov Govt
Victoria, BC V8V 9V1
Suite 210, 880 Douglas Street

Phone: 250 387-0842
www.fin.gov.bc.ca/psec

³ See Ministry Resource Summary table on page 15 for PSEC expenditures.

⁴ Expenditures are total forecast expenditure of employer associations included in the government reporting entity and are funded through transfers from government, membership dues, and other sources.

This is Exhibit "JJ" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1

From: Jaggi-Smith, Michele FIN:EX
Sent: Friday, January 13, 2017 9:31 AM
To: Meilleur, Len FIN:EX; Henderson, Jeff FIN:EX; Hazel, Jillian GPEB:EX
Subject: FW: Request for today please

Follow Up Flag: Follow up
Flag Status: Completed

Can we have a quick meeting at 12 to chat? We are all in meetings until then. Thanks.

Michele Jaggi-Smith | Executive Director Strategic Policy and Projects Division Gaming, Policy and Enforcement Branch
 Direct: [REDACTED] | Fax: [REDACTED] | Email: [REDACTED]

-----Original Message-----

From: Mazure, John C FIN:EX
 Sent: Friday, January 13, 2017 9:23 AM
 To: Vear, Maureen FIN:EX; Meilleur, Len FIN:EX; Jaggi-Smith, Michele FIN:EX
 Cc: Henderson, Jeff FIN:EX
 Subject: RE: Request for today please

Just so we're all clear we need to make ourselves available for the meeting which will be at the convenience of CWY.

-----Original Message-----

From: Vear, Maureen FIN:EX
 Sent: Friday, January 13, 2017 9:19 AM
 To: Mazure, John C FIN:EX; Meilleur, Len FIN:EX; Jaggi-Smith, Michele FIN:EX
 Cc: Henderson, Jeff FIN:EX
 Subject: RE: Request for today please

At this point it appears the only common availability for all would be sometime Wednesday pm; will confirm.

-----Original Message-----

From: Mazure, John C FIN:EX
 Sent: Friday, January 13, 2017 9:16 AM
 To: Meilleur, Len FIN:EX; Jaggi-Smith, Michele FIN:EX
 Cc: Vear, Maureen FIN:EX; Yu, Quinn FIN:EX
 Subject: FW: Request for today please

Len/Michele,

at my 1-1 with CWY yesterday we discussed the response to the MNP report, including a potential directive regarding actions to be taken re unsourced cash.

She is supportive of getting the response up to the minister asap. I indicated GPEB and BCLC do not agree on the responses to the MNP report generally - she would still like one BN which shows BCLC's response and rationale and similarly GPEB's response and rationale (I believe we had a table that depicted this info). As you can see below she would like the note (and draft directive (to come from me not the minister)) and a meeting next week.

There is also a task to complete today re data on STR's/cash - see below. Let me know if this is doable.

This is good news.

Thx

-----Original Message-----

From: Wenezenki-Yolland, Cheryl FIN:EX
 Sent: Friday, January 13, 2017 7:07 AM
 To: Mazure, John C FIN:EX
 Cc: Olson, Lianna FIN:EX
 Subject: Re: Request for today please

Ps. John also in regard to the directive we discussed yesterday. I would suggest this be drafted as it is coming from you. I assume you team confirmed the authority with legal on this.

I believe this action would also be consistent with the direction the Minister has previously provided in the the BCLC mandate.

Please bring the decision paper to this meeting next week as well.

Thanks
 Cheryl

Sent from my iPhone

> On Jan 13, 2017, at 6:53 AM, Wenezenki-Yolland, Cheryl FIN:EX [REDACTED] > wrote:

>

> Hi John

>

> Do you have the December info re cash transactions?

>

> Also I would like an updated graph that shows the trends dating back over the past 24 months. Or as far back as you have. Based on the info I have received in December from your team. I understand while the problem has not be fully eliminated there has been and continues to be a significant decline in the activity. Which would seem to imply that while more can still be done at least the efforts to date have had some positive effect.

>

> I would like this info today and I would like a briefing on this early next week with you and your staff.

>

> Sent from my iPhone

This is Exhibit "KK" to the Affidavit of Cheryl Wenezenki-Yolland
sworn before me at Victoria, in the Province of
British Columbia, this 8th day of April, 2021.



A Commissioner for taking Oaths
for the Province of British Columbia

CHRIS A. MASSEY
Barrister & Solicitor
1519 Amelia Street
Victoria BC V8W 2K1

Ministry of Finance
BRIEFING DOCUMENT

To: Honourable Michael de Jong, Q.C.
Minister of Finance

Initiated by: John Mazure **Date Prepared:** February 7, 2014
Assistant Deputy Minister
Gaming Policy and Enforcement Branch

Ministry Contact: Michele Jaggi-Smith, Director **Phone Number:** [REDACTED]
Policy and Communications **Email:** [REDACTED]
Gaming Policy and Enforcement Branch

334209

TITLE: Housekeeping amendment to the *Gaming Control Act*.

PURPOSE:

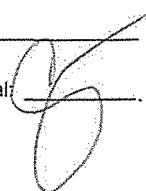
(X) DECISION REQUIRED

A housekeeping amendment to the *Gaming Control Act* is required to clarify enforcement authority.

Executive Director approval: _____

ADM approval: _____

Associate DM approval: _____



DATE PREPARED: February 7, 2014

TITLE: Housekeeping amendment to the *Gaming Control Act*.

ISSUE: A minor amendment to section 69 of the *Gaming Control Act* is necessary to correct an unintended consequence of a 2010 amendment that left the Gaming Policy and Enforcement Branch (GPEB) without clear enforcement authority over registrants under the Act.

BACKGROUND:

The GPEB regulates all gaming in British Columbia and is responsible for ensuring the integrity of the operation of the gaming industry. This authority stems from the provincial *Gaming Control Act*, the *Gaming Control Regulation* and the federal *Criminal Code*.

Section 69 of the *Gaming Control Act* allows the GPEB to issue a warning; suspend or cancel a registration; or vary or impose new conditions on a registrant under the Act where the registrant no longer meets the regulatory requirements, has breached a condition of registration, has been refused registration or had their registration suspended by a similar authority, has been convicted of an offence, or exhibits conduct that calls into question the honesty or integrity of the registrant.

In 2010, an amendment to section 69(1) was made to enhance enforcement against lottery retailers. Prior to the 2010 amendment, enforcement could only be taken against the "head office" lottery retailer registrant with enforcement action applying to all retail locations. This resulted, in some cases, in the unfair penalization of all retail locations. For example, some lottery retailers are large corporations with a number of small outlets, such as corner stores (e.g., 7/11, Shopper's Drug Mart).

The 2010 amendment to section 69(1) enabled enforcement action to be taken against a registrant's specific gaming premise, but in doing so inadvertently created a significant gap in the legislation. By focusing on "premises", the new wording appears to restrict enforcement actions to be taken only against a specific gaming premise of a registrant but not registrants themselves or gaming worker registrants. That is, the amendment lacks clarity with respect to the authority of GPEB to cancel or suspend the registration of the lottery retailer registrant, other gaming services providers, and gaming worker registrants.

The language in Section 69 before and after the amendment is provided below; the reference to gaming premises that creates the lack of clarity in GPEB's authority is highlighted in **bold**.

Section 69(1), Suspension of Cancellation of a Registration, *before* amendment effective June 3, 2010:

- (1) *For any of the reasons under section 68, the general manager may issue a warning to a registrant or may cancel, suspend for a period of time, impose new conditions on, or vary existing conditions of, a registration of any registrant.*

Section 69(1) *after* June 3, 2010 amendment:

- 69 (1) *For any of the reasons under section 68, the general manager may*
- (a) issue a warning to a registrant, or*
 - (b) do any of the following in relation to one or more gaming premises of a registrant:*
 - (i) cancel the registrant's registration or suspend it for a period of time;*
 - (ii) impose new conditions on the registrant's registration or vary existing conditions of that registration.*

DISCUSSION:

The gap in enforcement powers under the *Gaming Control Act* resulting from the 2010 amendment to section 69(1) came to light when a British Columbia Lottery Corporation (BCLC) service provider was suspended by the BCLC for lottery theft. The GPEB also wanted to suspend the individual's registration under the *Gaming Control Act* given their conduct and found that there was now a question about its legal authority to do so.

Despite the lack of clarity created by the 2010 amendment, the new provision can be reasonably interpreted so as not to prevent the GPEB from cancelling or suspending the registration of a registrant. GPEB is operating under this interpretation and continues to apply the same enforcement practice under the new provision as it did prior to the 2010 change. It is, however, aware of the risk of being challenged on this interpretation and the possibility of a court finding that the current provision does not give it the authority to suspend or cancel a registration of a registrant, leaving as the only option the issuance of a warning.

Solicitor Client Privilege

Public Interest Immunity

The amendment to section 69(1) of the *Gaming Control Act* is very straightforward involving reinserting the provision to allow the GPEB to suspend, cancel or impose conditions on the registration of a registrant. This minor amendment if approved would be appropriate for inclusion in a Miscellaneous Amendment Bill.

OPTIONS:**1. Minister proposes an amendment to section 69 of the *Gaming Control Act* for the Spring 2014 Legislative Session.****Pros:**

- Addresses the legal uncertainty inadvertently caused by a drafting oversight in making the 2010 amendments to the *Gaming Control Act* regarding the GPEB's authority to suspend or cancel or impose conditions on registrants who are in contravention of the Act or who breach regulatory requirements.
- Ensures that the GPEB has clear and effective enforcement powers to promote compliance and ensure the integrity of gaming in the Province.
- Straightforward, minor (housekeeping) legislative drafting required.

Cons:

- Requires inclusion of an additional late legislative amendment to the Spring 2014 Legislative program.

2. Submit a RFL to amend section 69 of the *Gaming Control Act* for consideration in a future Legislative Session.**Pros:**

- No requirement to include an additional late legislative amendment to the Spring 2014 Legislative program. (An RFL package can be prepared and submitted for next Legislative Session.)

Cons:

- Continued legal uncertainty regarding GPEB's authority to suspend, cancel or impose conditions on the registration of gaming services providers and gaming worker registrants.
- Threat of potential judicial review and interpretation that no authority to suspend, cancel or impose conditions on registrants if enforcement action taken.

RECOMMENDATION:

Option 1: Approve the proposal of an amendment to section 69(1) of the *Gaming Control Act* for the Spring 2014 Legislative Session, to ensure both effective enforcement of the Act, and that the legal authority to suspend or cancel or impose new or varied conditions on registrants is clear.

APPROVED / NOT APPROVED

Option 2

Michael de Jong, Q.C.
Minister

Date

March 13, 2014