

Alcohol and Gaming
Commission of Ontario

Commission des alcools
et des jeux de l'Ontario

Chief Executive Officer

Directeur general

90 Sheppard Avenue East
Suite 200
Toronto ON M2N 0A4
Tel. 416 326-8993
Fax 416 326-8054

90, avenue Sheppard Est
Bureau 200
Toronto ON M2N 0A4
Tél. 416 326-8993
Télééc. 416 326-8054



VIA E-MAIL (anwars@sen.parl.gc.ca)

October 17, 2012

Shaila Anwar
Committee Clerk
Senate Committee on Legal and Constitutional Affairs
The Senate of Canada
Ottawa, ON

Dear Ms. Anwar:

I am pleased to submit the attached document as the Alcohol and Gaming Commission of Ontario's (AGCO) submission to the Standing Senate Committee on Legal and Constitutional Affairs regarding Bill C-290, *An Act to amend the Criminal Code (sports betting)*.

The AGCO's submission is based on Bill C-290 as currently drafted. The AGCO would be pleased to provide a further submissions if amendments to the current wording of Bill C-290 are considered by the Committee.

Thank you for seeking the AGCO's input in this important matter.

Yours very truly,

A handwritten signature in black ink, appearing to read "Jean Major".

Jean Major
Chief Executive Officer
& Registrar

Att.

Alcohol and Gaming Commission of Ontario
Submissions to the Senate Committee on Legal and Constitutional Affairs
October 18, 2012

Introduction:

The Standing Senate Committee on Legal and Constitutional Affairs requested that the Alcohol and Gaming Commission of Ontario (AGCO) provide a witness to appear before the Senate Committee on October 18, 2012. Alternatively, the Senate Committee requested that the AGCO provide written submissions.

The AGCO is pleased to provide the following written submissions. AGCO staff are available to answer follow-up questions from the Senate Committee or provide comments on amendments contemplated by the Committee, should further submissions be requested.

Background:

The AGCO was established by the *Alcohol and Gaming Regulation and Public Protection Act, 1996*. The AGCO administers the *Gaming Control Act, 1992* amongst several other statutes with respect to the sale and service of liquor in Ontario.

The AGCO, in recent years, has begun a substantial transformation in order to ensure that it is in position to continue to effectively regulate gaming products in an evolving environment. The transformation will ensure that gaming products are regulated in a responsible manner and ensure that there is public confidence in those products and in those who provide the products. This initiative began in 2005 with significant changes to the regulatory structure for charitable gaming and has continued to date.

In 2011, the Legislature of Ontario approved amendments to the *Gaming Control Act* to ensure that the AGCO has the necessary authority to remain a leading regulator in a rapidly changing environment. These amendments were coordinated with changes to the *Ontario Lottery and Gaming Corporation Act, 1999*. The amendments took effect in 2012 and provide for the following key policy objectives:

- a risk-based approach for the registration of applicants for registration under the *Gaming Control Act*,
- clear jurisdiction of the AGCO as the regulator of not only gaming suppliers but also the Ontario Lottery and Gaming Corporation (OLG), and
- the ability of the Registrar of Alcohol and Gaming to make and enforce Standards and Requirements, binding on gaming suppliers, gaming assistants, the OLG and those exempt from registration who provide gaming-related and non-gaming-related services, in the following critical areas:
 - prohibiting or restricting certain persons from entering gaming sites or playing lottery schemes,
 - the prevention of unlawful activities,
 - the integrity of lottery schemes,
 - surveillance, security and access related to gaming sites or lottery schemes,
 - internal control,
 - the protection of assets, including money and money equivalents,
 - the protection of players and responsible gambling, and
 - the keeping of records, including financial records.

Registration under the Gaming Control Act, 1992

The Registrar has substantive authority to make inquiries into those who want to participate in legal gaming activities as suppliers or to be employed in the industry. The Registrar, under section 9 of the *Gaming Control Act*, has broad powers of investigation into applicants and registrants. The Registrar makes decisions on applicants based on three broad criteria:

- past conduct,
- financial responsibility, and
- competence.

The Registrar reviewed the processes used to carry out investigations in 2010 and has put in place a more comprehensive approach – one that is not only more effective but also more efficient. The approach involves a comprehensive process to determine the scope of the investigation required for each applicant identifying the risks that each applicant may have. Integrated assessment teams are then put in place for each applicant as a gaming supplier, under the direction of a steering committee to ensure a full and integrated review is undertaken. This approach was piloted with internet gaming and is to be used with respect to other aspects of the modernization of gaming in Ontario, including any sports betting initiatives should the *Criminal Code* be amended.

The AGCO has also entered into MOUs with a number of jurisdictions internationally to share information to assist in the assessment and registration process and to enhance law enforcement capacity through joint investigations and enforcement within Canada and with regulators and law enforcement agencies outside Canada.

Standards-Based Regulation

The AGCO is currently shifting to a new multipronged regulatory approach that is based on identifying and mitigating risks, establishing clear objectives and standards for the industry, and proactively promoting regulatory compliance. The Standards-Based Approach aims to reduce targeted risks while increasing operational flexibility for the OLG and other gaming operators.

In developing the Standards-Based Approach, the Registrar established a consultative process which identified the regulatory risks attached to the gaming industry. The risk assessment process was undertaken for all gaming sectors regulated under the AGCO's mandate over a 12 month period. Based on the risk assessment, which involved stakeholders from all sectors, including those involved in research with respect to responsible gambling initiatives, the AGCO has been developing Standards and Requirements to govern legal gaming operations. These Standards and Requirements are near completion and will soon be in place for all gaming sectors regulated by the AGCO.

The ability of the Registrar to establish and enforce Standards and Requirements provides a flexible and responsive approach to regulation that allows the AGCO to focus on those areas of highest concern and the Registrar, the AGCO and the Ontario Provincial Police Bureau assigned to the AGCO to respond to potential problems in a quick fashion..

Auditor General of Ontario Value for Money Audit of the AGCO

The AGCO's regulatory structure was recently reviewed by the Auditor General for Ontario as part of a year-long "value for money audit". The Auditor General concluded that the AGCO was a strong regulator and that the risk-based approach being undertaken by the AGCO was appropriate. The Auditor General commented:

"The general public also expects casinos and slot facilities to be run fairly and honestly.

Overall, we concluded that the Commission had adequate systems, policies, and procedures to accomplish this. In fact, our research of other jurisdictions and expert advice indicated that Ontario's regulatory framework is not only comprehensive, but provides for one of the stronger oversight mechanisms in North America. The Commission's focus on key risks covering revenues, gaming integrity, and criminal activity involved good preventive and effective ongoing oversight. The Commission's in-house electronic gaming equipment testing lab and its electronic gaming enforcement officers working at gaming facilities use comprehensive technical standards and effective procedures for ensuring that slot machines and other gaming equipment operate as intended. This was confirmed by the independent accredited gaming testing lab that we hired."

The Auditor General's report is available at http://www.auditor.on.ca/en/reports_en/en10/301en10.pdf.

AGCO Electronic Gaming Laboratory and Data Analytics

Since the Auditor General's report, the AGCO's electronic gaming laboratory became the first government gaming laboratory to receive ISO accreditation and is one of the only ISO accredited gaming labs in the world. In addition, as the AGCO prepares for the oversight of OLG's internet gaming initiative, the AGCO has begun making new investments in the gaming lab and, furthermore, is developing a data analytics function to complement its regulatory capabilities - one of the first in the world for a gaming regulator.

The AGCO views a comprehensive and independent gaming laboratory and a data analytics function as being critical to achieve a number of public policy objectives in Ontario:

- ability to provide the public with confidence that gaming in Ontario is operated with integrity by individuals and businesses that exhibit integrity,
- gaming products are responsible and have integrity,
- provide a lawful gaming activity for those interested in gaming as a form of entertainment that will, over time, reduce participation in illegal gaming activities by residents of Ontario, and
- maintain a strong connection with law enforcement and effectively assist in preventing money laundering, fraud and other illegal activities through the Ontario Provincial Police Bureau assigned to the AGCO. The data analytics function will be a critical tool to assist both the AGCO as a regulator but also for law enforcement purposes to prevent and detect illegal criminal activity.

The importance of the electronic gaming lab and data analytics would be enhanced with the introduction of any sports betting initiatives should the *Criminal Code* be amended as systems would need to be tested and betting patterns closely monitored to ensure product integrity.

Responsible Gambling

The AGCO has a role, along with the OLG, gaming operators, social responsibility groups, researchers, and treatment providers, in ensuring that games are run in a responsible way. As part of its role, the AGCO is finalizing responsible gambling standards that operators will be required to meet for all gaming products, including sports betting, if Bill C-290 is passed. One anticipated aspect of the Standards is that operators will be required to have a process in place to identify potentially problematic patterns of behaviour and to appropriately address them. The AGCO will build the capability to independently monitor and analyze the data available to help ensure that the operators' regulatory obligations are being met.

Conclusion

The AGCO is confident that the legislative authority it has and the resources that the Government has made available (including the AGCO's partnership with the OPP) will be sufficient to achieve the broader public policy objectives should the *Criminal Code* be amended to permit sports betting – responsible gambling by individuals for entertainment purposes using gaming products that have integrity provided by businesses and individuals with integrity.