

# **Strengthening Corporate Registration at the Gaming Policy and Enforcement Branch**

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ADMN 598: Capstone Project Report

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## EXECUTIVE SUMMARY

The regulation of gaming in the province of British Columbia (BC) is undergoing substantive changes in response to an investigative report put forth by Dr. Peter German in June 2018. Dr. German was independently commissioned by BC's Attorney General to investigate alleged large-scale money laundering in BC's lower mainland casinos. In response, Dr. German made 48 recommendations to the BC government to address the problem. For the Gaming Policy and Enforcement Branch (GPEB), the regulator of provincial gaming, implementing these recommendations will require substantive regulatory reform. The mandate of GPEB is to ensure the overall integrity of the provincial gaming industry. For GPEB, its Corporate Registration program area plays a key role in this mandate by determining which companies may enter and participate in the provincial gaming industry. This function is integral to gaming regulation, as Corporate Registration must determine that individuals and companies meet high standards of ethical behaviour and suitability before being allowed to enter and participate in the gambling industry. As areas of GPEB modernize to meet Dr. Peter German's recommendations, it is crucial that other program areas, such as Corporate Registration, move in step and are not left behind.

The purpose of this report is to identify recommendations as to how the Corporate Registration program area at GPEB can be modernized and strengthened.

The principal research question is: Are there opportunities for the Gaming Policy and Enforcement Branch to strengthen its current Corporate Registration program?

The research methodology for this project is a gap analysis. The goal of the gap analysis is to identify the current state of Corporate Registration at GPEB, and conduct research on existing literature and other gambling regulators in Canadian jurisdictions to identify both smart and worst practices that can be introduced, or avoided, to strengthen the program area. The research methods utilized include conducting a traditional literature review, and cross-jurisdictional case study research through the research methods of a document analysis, and key informant interviews with Corporate Registration staff at GPEB, and the gambling regulators in Manitoba and Ontario.

Key findings from the literature review, document analysis and key informant interviews include:

- The laws that govern gaming are drafted broadly to place significant discretion and decision-making power with the authority issuing gaming licenses or registration.
- Gaming licensing and registration in all jurisdictions has had to cope with subjective and vague assessments of criteria based on personal, ethical and financial suitability leading to largely ad hoc approaches in how registration and investigations are completed.

- As regulators have had to cope with more responsibilities and scarce resources, regulators worldwide have shifted to risk-based regulatory models in order to focus resources to those regulated who are highest risk to the regulator's goals – there has been little rethink or reform for regulators in the gambling industry.
- GPEB's Corporate Registration program area has numerous strengths that should be preserved going forward, principally being the organizational effectiveness between the Corporate Compliance Unit and the Corporate Investigators, and the investigative depth and effectiveness of background investigations. Many of these strengths rely on the individuals doing the work, and not the operational system itself.
- Corporate background investigations are carried out effectively, however the depth of investigations often follows unstructured and ad hoc approaches absent of guiding frameworks or tools that are being adopted in other regulatory jurisdictions to assess industry participant risk and allocate resources accordingly.
- The Corporate Registration business process, beginning from application to registration, is susceptible to delays at key points which negatively affect timeliness, internal workflows and overall service delivery. Delays are due to strained resourcing of the Corporate Compliance Unit, fragmented communications between Corporate Registration and applicants and registrants, applicants and registrants not providing fees and documentation in a timely manner, and reliance on physical documents and files.
- There is a gap in the fulfillment of numerous corporate compliance functions due to workload and ongoing staffing issues in the Corporate Compliance Unit. The under-resourcing and compliance gaps contribute to business and service delivery delays for the program.
- The classes of registration for gaming companies prescribed in the Gaming Control Regulation have become outdated, complicated, and do not contemplate the emergence of online and internet gaming.

Based on the findings of the research and subsequent analysis, Corporate Registration is presented with four options to strengthen the program area:

1. Introduce a risk-based scoring tool for renewals.
2. Review Corporate Registration business processes.
3. Improve Corporate Compliance monitoring.
4. Modernize classes of registration for Gaming Service Providers.

In an ideal situation, all four options are recommended to strengthen the program area; however, GPEB, like most regulatory agencies, has limited time and resources. In recognition of this, the four options were evaluated against a criterion developed from the desired future state and implementation considerations.

Of the four options, Option 1, introduce a risk-based scoring tool for renewals, was identified as the recommended option. A proposed implementation plan for the recommended option was developed and strategies and considerations to implement this recommendation are the following:

1. In collaboration with a contractor, design and tailor the AGCO risk-based score card tool to the needs of BC in collaboration with GPEB's Corporate Investigators to capture the risk factors and risk mitigating factors currently utilized in background investigations.
2. Training with the new risk-based scorecard to understand integration into the existing work flow.
3. Trial the risk-based scorecard with some but not all registrants to understand operation and provide initial review and revision before full implementation.
4. Full implementation of the risk-based scorecard following successful trial and revisions as required, with executive approval.
5. Ongoing post-implementation review at the 12-month mark to assess long-term effectiveness, integration and functionality and annually thereafter.

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# 1. INTRODUCTION

Gaming in British Columbia (BC) is governed by the *Gaming Control Act* (GCA) (herein referred to as “the Act”), the Gaming Control Regulation and Part VII of the *Criminal Code* of Canada. The Act establishes the regulatory, legal and operational framework for provincial gaming, including the establishment of the regulator, the Gaming Policy and Enforcement Branch (GPEB). GPEB’s mandate is to ensure the overall integrity of the provincial gaming industry, with a vision of maintain the public’s confidence in gaming (Gaming Policy and Enforcement Branch, 2018, p. 3). To ensure the integrity of gaming, the Act provides GPEB’s General Manager with numerous authorities, including the authority to register individuals and companies for participation in the gambling industry. To carry out this duty, the Act empowers the General Manager to conduct, or delegate the power to conduct background investigations to inform registration decisions for companies and their personnel (Gaming Control Act, SBC 2002, s. 24(3); 27(3)). To operationalize this area of registration, the General Manager has delegated the authority to conduct background investigations to the Director of Corporate Registration (CREG) and Corporate Registration Investigators (Gaming Control Act, SBC 2002, s. 24(3)).

The landscape of gambling in BC has transformed considerably through both industry expansion, technological advances, and increasing participation by the public and business sectors (British Columbia Lottery Corporation, 2018, pp. 8-9). However, GPEB’s operational processes and approaches to how Corporate Registration is governed and conducted has largely remained constant since GPEB’s inception in 2002. It is crucial that GPEB be able to keep up with industry changes, as gaming is viewed as a high-risk activity in many jurisdictions and has historically been the target of or subject to influence from organized crime and other illegal activities (Spapens, Littler & Fijnaut, 2008, p. 54; Rorie, 2017, p. 70).

Protecting the gaming industry means Corporate Registration must be able to effectively and efficiently assess the integrity of companies and their key employees participating in gambling. Given Corporate Registration has remained in a relatively constant state since the inception of GPEB, there may be opportunities to enhance or strengthen how the program area conducts its business. This review of Corporate Registration is timely given the BC governments acceptance in principal of all 48 anti-money laundering recommendations in Dr. Peter German’s report ‘Dirty Money’. Acceptance of these recommendations in principal indicates that substantive changes and modernization must occur in many areas of GPEB’s core business. Other areas of GPEB, such as licensing and registration must also contemplate future regulatory changes in step with the implementation of Dr. Peter German’s anti-money laundering recommendations.

This report is prepared for the Executive Director of the Licensing, Registration and Certification (LRC) Division at the Gaming Policy and Enforcement Branch (GPEB), Ministry of Attorney General. The Executive Director, LRC, is responsible for overseeing and ensuring successful operation of the Personnel and Corporate Registration programs, Charitable Licensing program, and Certification program.

The principal research question for this project is:

- Are there opportunities for the Gaming Policy and Enforcement Branch to strengthen its current Corporate Registration program?

Sub-questions emanating from the main research question include:

- What is the current state of GPEB's Corporate Registration model?
- What are the strengths, gaps, weaknesses, and challenges?
- How do other Canadian jurisdictions approach Corporate Registration?
- Can information obtained from other Canadian jurisdictions be used to inform registration decisions in BC?

The goal of this project is to objectively identify the current state of Corporate Registration at GPEB and conduct a literature and cross-jurisdictional scan to identify process and smart practice recommendations that can be utilized to improve and strengthen the Corporate Registration program area. In support of these research objectives, this report will provide the four following deliverables to the client:

- Literature review findings covering the historical and current state of registration and background investigations in gambling and other similar industries;
- The findings of a document analysis reviewing operational policies, documents, materials and guidelines that are used in BC and other jurisdictions;
- The findings from key informant interviews with BC's Corporate Registration program and staff at other Corporate Registration programs at gaming regulators in Canada; and
- Options and recommendations for the client to consider for improving the GPEB's Corporate Registration program area.

The following report is organized into ten sections. Section 2 provides background information about GPEB, the Corporate Registration program area, and further context to the contemporary issues surrounding the provincial gambling industry and clarifies key terms used throughout the report. Section 3 contains the literature review that was conducted to provide an overview of gaming regulation and the registration process. This section also outlines the overarching analytic framework used to connect the research problem and the current state to the selected research methods, through to determining a potential future state. Section 4 describes the research methodology, methods and limitations of the study. Sections 5, 6 and 7 report the key findings and results of the literature review and document analysis, interviews with GPEB Corporate Registration, and interviews with registration officials in Manitoba and Ontario, respectively. Section 8 provides a strategic evaluation and analysis of the findings of the literature review, document analysis and key informant interviews. Section 9 outlines the options and recommendations for the client. Section 10 provides a concluding summary to the report.

## 2. BACKGROUND

The background section of this report provides an overview of how the laws and legislation governing gambling in Canada have shaped the current environment in BC, and this section also provides an overview of the Gaming Policy and Enforcement Branch and the Corporate Registration program area. This background section also introduces recent public developments in BC's gambling industry that necessitates regulatory reform and change at GPEB.

### **Operational-Regulatory Models**

Through the Criminal Code of Canada, the federal government has delegated the authority to conduct and manage gambling in Canada to provincial governments. The Code establishes the legal framework through which provincial gaming in Canada is done and establishes various offences and penalties for contravening the Code. Provincial interpretation of the Code outlining what constitutes a 'lottery scheme' and the definition of 'conduct and manage' has varied considerably and given rise to four distinct operational-regulatory models of gambling across Canada (Campbell, 2005, p. 22). This includes: The Crown Corporation Model, The Hybrid Model, The Charity Model, and The First Nations Gambling Model (Campbell, 2005, pp. 23-26).

British Columbia operates a hybrid model where there is a partnership arrangement between the provincial government and private sector companies to provide gambling facilities and oversee their operations (Campbell, 2005, p. 23). Unique to the BC model, private sector businesses own casino facilities and supply the personnel to operate the games. Equipment, however, is owned and maintained by BC Lottery Corporation (BCLC). Through contractual agreements, called Operating Service Agreements (OSA's), gaming service providers earn a percentage of casino winnings as their profit. BCLC in turn provides significant revenues to the provincial government from the operation of commercial gaming (Campbell, 2005, p. 25).

### **The Gaming Policy and Enforcement Branch**

Established in 2002 through royal assent of the *Gaming Control Act*, GPEB is the regulator for all gambling activities conducted in British Columbia and ensures gambling is carried out with honesty and integrity through all participants, including industry companies, equipment, and people. GPEB has oversight of all commercial gambling conducted and managed by the BC Lottery Corporation (lotteries, casino's, community gaming centres, commercial bingo halls and PlayNow.com), licensed charitable gambling events, the provincial horse racing industry, and delivers responsible and problem gambling programs (Gaming Policy and Enforcement Branch, 2018, p. 3). The legislation governing GPEB is the *Gaming Control Act* and the Gaming Control Regulation. Gambling in the province must also be conducted in accordance with overarching federal guidelines, legislated in Part VII of the Criminal Code of Canada (Gaming Policy and Enforcement Branch, 2018, p. 11).

As an organization, GPEB is a branch within the British Columbia Ministry of Attorney General. GPEB is headed by a General Manager, and is made up of six divisions:

- Licensing, Registration and Certification Division;
- Compliance Division<sup>1</sup>;
- Community Supports Division;
- Strategic Policy and Projects Division;
- Operations Division; and
- Compliance and Enforcement Collaborative and Secretariat (Gaming Policy and Enforcement Branch, 2018, p. 3).

Corporate Registration is a program area in the Licensing, Registration and Certification Division and is a key component in the operationalization of GPEB's mandate of ensuring the integrity of gaming. All gaming officials, workers and companies must be registered with GPEB (German, 2018, p. 72). Prospective companies and their key employees must apply for registration and are subject to background investigations and suitability assessments to determine they meet high standards of integrity. Registration is then subject to subsequent renewals and investigations every five years (Gaming Policy and Enforcement Branch, 2018, p. 8). Companies registered with or seeking registration from GPEB are diverse and span large and small public and privately-owned businesses. This includes casino, bingo and horse racing operators; suppliers and manufacturers of gambling services, such as content and equipment providers; service providers; security services; and other ancillary services, such as food and beverage and janitorial services that are provided at gambling facilities (Gaming Policy and Enforcement Branch, 2018, p. 8).

### **Corporate Registration Program Area**

Registering gaming companies and gaming personnel is legislated in parts four, eight and nine of the Act. Part four establishes GPEB and outlines the appointment, roles, and responsibilities of the General Manager. Through the Act, the General Manager has the authority to conduct investigations into companies seeking participation in provincial gambling (Gaming Control Act, SBC 2002, s. 27(3)). The General Manager may additionally delegate these powers and duties to any GPEB staff. (Gaming Control Act, SBC 2002, s. 24(3)). In the case of Corporate Registration, the General Manager has delegated these powers and duties to the Director of CREG and CREG Investigators.

Part eight of the Act establishes the legislative framework surrounding the registration of gaming service providers and workers, including: the General Manager's responsibilities; eligibility of corporations, partnerships and individuals; application rules and requirements; refusal, suspension or cancellation of registration; technical certification; and compliance (Gaming Control Act, SBC 2002, s. 56-75). Part nine, Compliance, establishes the role of investigators, inspection and audit, and how

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<sup>1</sup> Compliance Division split in 2018 to create Enforcement Division

background investigations may be carried out (Gaming Control Act, 2002, s.76-87). Part nine, Sections 94 and 95, establish the prohibition of unregistered gaming service providers and unregistered gaming suppliers (Gaming Control Act, SBC 2002, s. 94 & 95). Taken together, these components of the Act establish the legislative framework and legal requirements through which GPEB operationalizes its Personnel and Corporate Registration functions.

Corporate Registration Investigators in addition to the Corporate Compliance Unit (CCU), are part of the larger Corporate Registration program area. The Corporate Registration program is led by the Director of Corporate Registration and consists of two streams of staff. The Corporate Compliance team is led by a Manager, who is supported by three Corporate Compliance Officers. The Investigations team, those whose role is to conduct background checks and investigations, is staffed by seven Corporate Investigators. Corporate Investigators conduct background investigations and suitability examinations to make recommendations to the Director of Corporate Registration whether to approve or reject a registration application or renewal from a gaming company and its key employees (Gaming Policy and Enforcement Branch, 2018, p. 8).

Corporate investigators conduct their background investigations by identifying and evaluating numerous risk factors and closely examining a company, its finances, and all key personnel with decision-making abilities or organizational influence (Gaming Policy and Enforcement Branch, 2018, p. 8). CREG investigators then prepare a Report of Findings (RoF) for decision to the Deputy Registrar and Director of CREG whether to recommend registration with GPEB or to reject the application. If approved, companies are registered with GPEB to operate in BC's regulated gambling industry, with the registration subject to review and renewal every five years.

Corporate Investigators work directly with the Corporate Compliance Unit (CCU) as part of the larger Corporate Registration program area. The CCU plays the critical role of managing inquiries and intake of company and personnel applications or renewals, assessing registration requirements, and coordinating the distribution and collection of disclosures and other documentation for investigations. This group acts as the gatekeeper for Corporate Registration and subsequently maintains a record of documentation and sends out registration approvals to meet registration timelines. The operation of the Corporate Registration program follows a relatively prescribed process and business cycle. The cycle does vary for new applicants versus renewals, however, at a high level the Corporate Registration process follows this cycle:

1. Companies contact or are referred by the BC Lottery Corporation to Corporate Registration about becoming registered with GPEB in order to participate in the provincial gaming industry.
2. The CCU will request relevant or updated information about the company, including organizational and ownership structure, key employees, the goods and services offered, determining whether registration is required, and making a determination as to what is the appropriate class of registration.

3. The CCU will review the information provided by the company to determine which individuals need to be registered, including executives, ownership, management, senior employees and any other individuals determined to require registration.
4. The CCU will then provide disclosure forms to the company for the appropriate individuals to complete and an invoice requesting the appropriate registration or renewal fees and estimated investigation fees.
5. Disclosures and the registration and estimated background investigation fees are received by the CCU and reviewed for completeness or errors. As part of their review, CCU Officers will flag any irregularities or risky information in a disclosure for the investigators.
6. Once the disclosures are completed and all necessary materials are received by the CCU the file is then sent to the Corporate Investigators.
7. Two investigators are assigned to a file, one as a lead and one as a secondary. Investigators will review the files and begin planning the background investigation, including organizing interviews with the individuals. This may require planning travel to the company's jurisdiction, and conducting an in-depth assessment into the individuals and companies personal and financial background, reviewing financial statements, and general history.
8. Investigations involve deeper inspection and analysis of any flagged areas by the CCU staff and into any other matters of interest, however, each investigation is different and will depend on the nature of the corporation or individual and the good or service provided. The investigator may continue to request and inspect any documentation or information until they are satisfied the applicant or registrant is suitable for registration.
9. Upon completion of the investigation, investigators will prepare a summarized Report of Findings (RoF), including recommended decision, to the Corporate Registration Director for registration approval or denial.
10. The completed file, including the RoF, timesheets, and expenses, is then sent back to the CCU for logging and if approved, the appropriate registration approval documentation is provided to the company.

For companies seeking registration renewal, which is required every five years, the process is identical; however, the CCU will conduct outreach to the company several months ahead of their registration deadline to prepare for the renewal. This is done to provide enough advance time and planning to ensure that a registration renewal can be completed, ensuring that a company is not operating without the appropriate registration. Given the turnover that can occur within a five-year period, the Gaming Service Provider is supposed to make efforts to update CREG on new employees who will require registration or key employees who have left. The same process is then followed with collection of renewal fees and investigations as required.

The internal registration and business processes in the Corporate Registration program area do not employ a larger online or internet-based system or platform. Some

elements, where possible, are digital, such as the submission of disclosure documentation from gaming companies, however, this information, and general communications between the CCU and gaming companies is often done via fragmented emails. Physical files are also often used as a file is passed on from the CCU, to the Corporate Investigators, and back.

## **Public Confidence**

The integrity of British Columbia's gaming industry is in the spotlight given concerns of penetration by organized crime, most recently captured in Dr. Peter German's independent report for the Attorney General, 'Dirty Money', where Dr. German investigated alleged large-scale money laundering through BC's lower mainland casinos. In order to maintain the public's confidence in the provincial gaming industry, GPEB must ensure that Dr. German's recommendations are implemented and that GPEB is at the forefront of the most current and smart regulatory practices in all of its lines of business.

Government has accepted all 48 recommendations in principle from Dr. German. For the recommendations that affect GPEB and the regulation of gambling, the work to study, analyze and implement these recommendations is underway and should they be implemented, will require substantive reform to many program areas of GPEB and the regulation of gaming in general. Although not addressed in Dr. German's report, the Corporate Registration program plays a key role in GPEB's regulatory framework, and is a principal mechanism through which GPEB maintains control over the provincial gambling industry by regulating which companies may enter the industry (Skolnick, 1978, p. 174).

Numerous jurisdictions and gambling related literature use the terms 'gambling' and 'gaming' interchangeably. The term 'gaming' is used throughout BC's legislative and governing framework. For the purpose of this project, the terms will be used interchangeably. Additionally, other jurisdictions and gambling literature will use the term 'licensing' when referring to the registration of companies with their respective gaming regulator. The Act exclusively uses the terms 'registered' and 'registration' instead of 'licensing' regarding gaming workers or gaming service providers (Gaming Control Act, SBC 2002, s.1). For the purpose of this project, the terms are used interchangeably.

## **Concluding Summary**

Gambling in Canada has developed uniquely in each province through varied interpretations of the Criminal Code. Gambling in BC underwent substantive reform in 2002 to create a unified gambling regulator whose principal mandate is to ensure the overall integrity of gaming. Vetting industry participants through GPEB's Corporate Registration program area is a crucial feature of ensuring industry integrity and is an essential component of an effective regulatory framework. Recent developments brought to public attention in June 2018 by Dr. German highlighted the need to reform

and modernize significant aspects of how gambling is regulated in BC. Given the substantive changes in progress at GPEB to implement Dr. Peter German's recommendations, it is an opportune time to carry over modernization momentum to other program areas at GPEB to ensure all components of GPEB's regulatory framework move in step with future changes.

### 3. LITERATURE REVIEW

The literature review for this study was conducted using the framework for a traditional literature review outlined by Jesson, Matheson and Lacey (2011). This literature review method was selected as it allows for a comprehensive exploration into the research question and the existing state of knowledge (Jesson, Matheson & Lacy, 2011, p. 74). The goal was to identify and use the relevant literature materials to present a complete as possible overview of the research topic while identifying and summarizing key themes, ideas and trends to inform project analysis and recommendations.

Given the specificity of gambling regulation, the literature review was approached from a broader regulatory perspective. The literature review began by researching regulation in general, and regulation in gambling and other industries, such as alcohol and cannabis. Key search terms include: “regulation”, “gaming regulation”, “gambling regulation” “risk-based regulation”, “regulatory best practices”, “gambling licensing”, “gambling registration”, “cannabis regulation”, “alcohol regulation” and combinations of these terms.

Literature was obtained through three main sources, electronic databases, references lists from reviewed literature, and books. The literature reviewed was predominantly from the United States and Canada. Literature surrounding gambling licensure in the United States, specifically Nevada, was a focus given the prevalence of the gambling industry in the state. Given the rise of gaming in Nevada, literature on gaming from educational institutions is widely available. The focused nature of licensing or registering participants in highly regulated industries also meant that older literature was included.

This section concludes by introducing the analytic framework used as the structure for this report. The analytic framework is framed as a gap analysis through identification of the current state, and using information obtained through the research to inform the desired future state.

#### **Risk-Based Regulation**

A risk-based approach to regulation is an evidence-based method of allocating resources to the those identified as posing the highest risks in a transparent, systematic and defensible way (Black & Baldwin, 2010, p. 181). The emergence of the focus on risk stems from contemporary regulatory challenges, where regulatory agencies are constantly facing more issues than their scarce time and resources can feasibly address. The turn to regulation from a risk-based perspective provides a systemized way of introducing resource efficiency in regulatory environments while maintaining regulatory effectiveness (Black & Baldwin, 2010, p. 181; OECD, 2010, p. 189). Black and Baldwin (2010) highlight that numerous governments and regulatory regimes employ and advocate risk-based strategies and frameworks as the most effective method to manage their regulatory resources (p. 181). The Alcohol and Gaming Commission of Ontario (AGCO) is Ontario’s regulator for gambling and has transitioned

to a risk-based approach in its regulatory framework including its registration functions (Alcohol and Gaming Commission of Ontario, n.d.)

Risk-based regulation is derived of two key activities undertaken by the regulator. First, those regulated are assessed, usually using a quantitative methodology, the risk of non-compliance. Second, another quantitative methodology is usually employed to estimate the impact of non-compliance on the regulator's ability to achieve its goals (Baldwin & Black, 2008 p. 66; OECD, 2010, pp. 187-190). The risk-based approach centers on determining the probability of non-compliance and the impact of noncompliance, deciding on a regulatory response given the tools available to the regulator, and deciding where to deploy limited resources (as cited in Hutter, 2005, p. 7).

Risk-based regulatory approaches have advantages for contemporary regulatory regimes facing limited resources, however the approach also has limitations. The overarching limitation is that risk-based assessments and tools centre on simplification while ignoring the dangers of not fully understanding or recognizing the scale and complexity of contemporary problems (Hutter, 2005, p. 8). Risk-based regulation also relies on regulators to make decisions on and prioritize what the most important problems are, in their own view. Identifying the most important risks, depending on the industry, is not a straightforward and relies on regulators identifying the most important indicators and gathering sufficient information on the identified indicators to guide regulatory decisions and responses (Black and Baldwin, 2016, p. 567). Regulatory agencies must be aware of what the drivers of risk are and how risk identification and problems are internally constructed given the identified risks are where risk-based regulators focus their attention and resources (Black and Baldwin, 2016, p. 593). Proper risk or problem identification could allow for key operational or systemic risks to not be identified and allowed to proliferate, undermining the effectiveness, confidence in, and legitimacy of the regulatory agency (Black and Baldwin, 2016, p. 582).

## **Regulatory Approaches in Gaming**

In a review of commercial gaming regulation, Aronovitz (2002) highlights the divergence of gaming regulation along two distinct paths. The "Nevada model" focuses on maximizing the economic benefits of the gaming industry with as little regulatory involvement as possible to meet market demand (p. 190). The regulator does not have oversight of business decisions, such as the size, number or location of gaming facilities. These decisions are left up to market participants and market forces. In the Nevada model, the regulator has absolute authority and responsibility for maintaining regulatory integrity and suitability of market participants (p. 190).

The "New Jersey Model" contrasts with the Nevada Model in that this regulatory model focuses on the negative impacts of gaming to societies. In response, this regulatory model seeks to provide a comprehensive framework to provide strict regulation to all aspects of the gaming industry (p. 190). By extension, this model seeks to limit or provide direct control over the proliferation of the gaming industry in a balancing act to derive economic benefit, but not allow the gaming industry to get too big. Similar to the

role of gaming regulators identified by Rorie (2017), Aronovitz (2002) states that regardless of the regulatory framework, gaming regulators and by extension gaming laws must at a minimum include provisions for licensing, controls, enforcement, taxation, accounting and audit as a foundation to any gaming regulator (p. 189).

### **Corporate Registration in Gaming and other Regulated Industries**

Regulators of the gambling industry partake in numerous activities; however, they perform four key functions relative to their mandates: policy development and rulemaking, licensing, revenue collection, and monitoring and enforcement (as cited in Rorie, 2017, pp. 71-72). Of the four key functions, licensing is one of the principal tasks of a gaming regulator as it is a way to prevent participation from known criminals and non-compliant individuals or companies (As cited in Rorie, 2017, p. 72). The ability to issue and revoke licenses is the ability to control who enters, participates and profits in the legal gambling industry and consequently, what establishes gambling industry legitimacy (As cited in Rorie, 2017, p. 72| Aronovitz, 2002 p. 191). When a regulator is considering a gaming license for a company, it is an important distinction that companies are made up of individuals, therefore authorities issuing licenses or registrations must assess key stakeholders and decision makers that make up the company, and the company as an operational entity itself.

Licensing involves actors with varying levels of involvement and impact to the gaming industry. In most regulatory environments employing risk-based approaches, the level of regulatory scrutiny for the issuance of licenses is directly related to the impact and involvement that actor has on gaming (Aronovitz, 2002, p. 191). There are five general groups in gaming licensing, with each commanding a different level of investigative scrutiny (as cited in Aronovitz, 2002, p. 191).

Group I are the gaming owners and operators including individuals or groups who exercise control or influence, such as officers, directors, shareholders, and those who control voting rights of at least five percent of a publicly traded gaming company (as cited in Aronovitz, 2002, p. 191). Group II includes manufacturers of gaming supplies and equipment, and what are considered 'key' gaming employees. Key gaming employees are those not considered to be in Group I but have more substantive management responsibilities at gaming service providers. This includes positions such as managers of financials, operations, security, cage and table games, and others who hold important and influential positions in gaming service providers (as cited in Aronovitz, 2002, pp. 191-192). Group III includes non-gaming equipment suppliers and other casino employees (as cited in Aronovitz, 2002, p. 192). Group IV are providers of ancillary goods and services. Group IV has little to no direct impact on gaming, therefore the background investigation and suitability assessment is less thorough than Groups I, II and III (as cited in Aronovitz, 2002, p. 192). Some jurisdictions may also not require licensing for this group (as cited in Aronovitz, 2002, p. 192). Group V is for individuals and groups that do not fall under Groups I, II, III and IV (as cited in Aronovitz, 2002, p. 192).

Skolnick (1978) provides a through foundation to understanding the licensing process and some of the principle issues of registration in the gaming industry. Licensing combines the task of assessing character and suitability within the formalities of legal governance (p. 172). The need for licensing is prevalent in industries with other characteristics similar to gaming, such as auctions, liquidations, banking, securities and insurance (p. 174). These are industries where the potential for abuse is significant and self-corrective forces are not present or ineffective (p. 174). In gambling and other similar industries, it is assumed that the consumer cannot reasonably understand the intricacies and complexities of the transactions they are participating in where harm or injury is a considerable possibility (p. 174). Licensing for participation in gambling is therefore a formal affirmation of an applicants' commitment to social welfare, and to ensure that revenue is reported, appropriate taxes are paid, and the rules are followed (pp. 174-175). A gambling license is therefore viewed as not a right, but as a revocable privilege (Jingoli, 1995, p. 74; Aronovitz, 2002, p. 193). This enables the gaming regulator to hold the licensee to the highest possible standard of honesty and integrity while holding a license (as cited in Aronovitz, 2002, p. 193).

Gambling regimes worldwide require licensing because gambling has a negative social perception and connotation and has historically attracted criminals and those who might attempt to corrupt and gain positions of power and authority (p. 175). Gambling licensing becomes problematic for authorities because good moral character is required as an essential prerequisite to receiving a license (p. 174). Gambling licensing is problematic for applicants, because the applicant bears the responsibility of demonstrating to the licensing authority that they are of good social character with due consideration for the protection of public safety, health and general societal welfare (p. 174).

The challenge is that assessing social character relies on highly subjective standards over other quantifiable or ascertainable qualities or competencies (p. 173). The same situation applies to measuring one's ability to run a gambling business, which has been attempted with little conclusive success (p. 173). In contemporary society, individual and business relationships have become large, complex, and interconnected to the point that it is very difficult to judge one and other by outward appearance or known associates (p. 172). To participate in gambling then, an assessment of one's character must be done which involves being investigated, reviewed and found acceptable by the gaming licensing authority (p. 175). To cope with many of the inherent problems of gambling licensing, which are vague and subjective licensing standards and assessments of good moral and social character, the laws that govern licensing have historically been broad. Broad laws for gambling place significant power and discretion in the hands of the licensing authority (Skolnick, 1978, p. 175; Aronovitz, 2002, p. 193).

Faiss and Gemignani (2011) have extensively studied the process of acquiring a gaming licence in the state of Nevada and identify key criteria areas applicants are assessed on (p. 2). It must be noted that modern approaches to assessing licensing suitability enable the gambling regulator to exercise broad discretion in investigations. Additionally, due to the nature of background checks and suitability assessments, there

is in general no specific or quantified criteria with which to follow. The summation of these factors is almost always problematic to potential applicants (Faiss and Gemignani, 2011, p. 2). Faiss and Gemignani (2011) identify seven broad licensing guidelines which broadly examines:

- Character of the individual applicant;
- Financing of the proposed operation;
- Business competence of the proposed operators;
- Suitability of the location;
- Ownership of the location;
- Multiple licensing criteria, if applicable; and
- Conduct during the investigative process (p. 2).

Similarly, the Alcohol and Gaming Commission of Ontario has published broad criteria that applicants seeking registration may be assessed on. This includes assessing individuals and companies on:

- Honesty and integrity;
- Financial background / responsibility;
- Compliance with the law;
- Job function;
- Registration type;
- Employment history; and
- Financial gain from registration (Alcohol and Gaming Commission of Ontario, n.d.).

Sayre (1994) and Jingoli (1995) provide an in-depth guide as to the investigative component in the state of New Jersey. There is significant overlap in the investigative criteria identified by both Faiss and Gemignani (2011) and the Alcohol and Gaming Commission of Ontario. A consistent theme across gaming regulators is that no two investigations are the same, therefore the time required to complete an investigation and its costs vary considerably depending on the complexity of the applicant (Jingoli, 1995, p. 76; Sayre, 1994, p. 96). In addition to the applicant having to demonstrate to the licensing authority that they are of good character and suitability, the applicant also bears the burden of paying for the cost of the investigation. Delays in processing are also significant challenges for investigations and are attributed to improper or inaccurate filing of disclosure forms and fees, and forms or requests not being addressed by the applicant in a timely manner (Sayre, 1994, pp. 96-97).

Looking to other vice industries, such as alcohol and cannabis, there is a similar approach of regulating its participants to uphold social reputation (as cited in Rorie, 2017, p. 70). In addition to gambling, BC requires background checks and suitability

assessments to obtain a liquor or a non-medical cannabis retail license (Liquor & Cannabis Regulation Branch, n.d.; Liquor & Cannabis Regulation Branch, n.d.). In BC, cannabis is regulated by the Liquor and Cannabis Regulation Branch who also issue non-medical cannabis retail licenses. To obtain a non-medical cannabis retail license similar to acquiring a gaming license, applicants must go through a security screening process, and background checks to ensure integrity (Liquor & Cannabis Regulation Branch, n.d.). This includes criminal and police record checks, and financial integrity checks. Like gaming, corporations and their associate, including directors, officers and shareholders with at least 10% of voting shares must be screened and granted a license (Liquor & Cannabis Regulation Branch, n.d.).

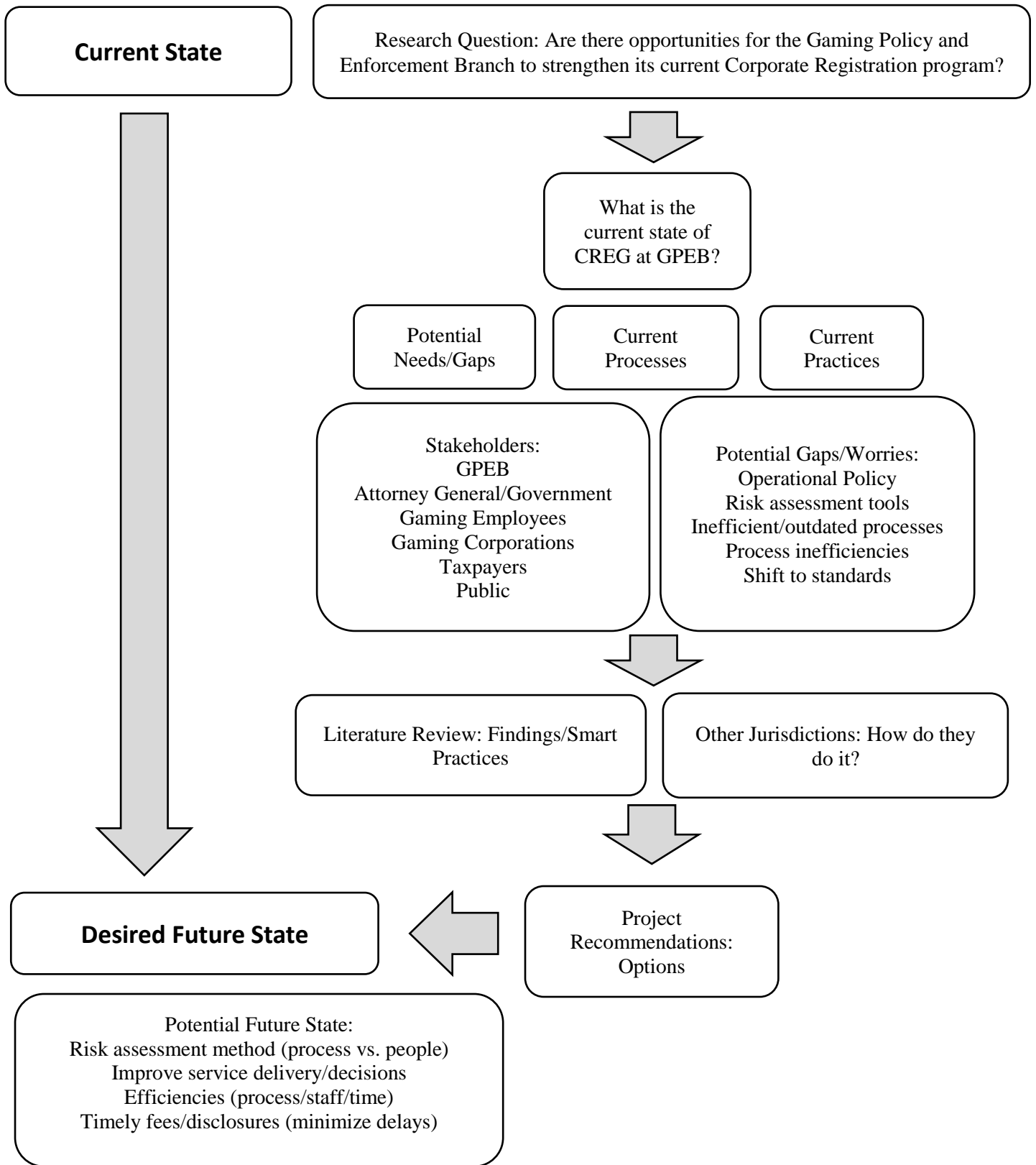
The financial integrity check mirrors similar provisions for gaming authorities, in that it seeks to provide investigators with thorough disclosures on the applicant's financial activities, taxes, connections to the cannabis industry, and asset and liability disclosures (Liquor & Cannabis Regulation Branch, n.d.). Additionally, investigators for the purposes of licensing are not limited to specific items that may be requested and can request any documents or information investigators feel is necessary (Liquor & Cannabis Regulation Branch, n.d.). This feature of the investigative process mirrors approaches utilized by gaming authorities and represents the exercising of broad investigative powers. In the case of cannabis, the applicant pays the fees and is responsible to demonstrate their suitability and integrity. Unlike gaming however, cannabis license renewal is required every two years in BC (Liquor & Cannabis Regulation Branch, n.d.).

## **Analytic Framework**

This research projects' analytic framework for strategic change in GPEB's Corporate Registration program area has been designed based on the main and sub research questions. Figure 1 (see page 15) illustrates the analytic framework for this project and is designed as a gap analysis in line with the gap analysis framework identified by Jannetti (2012). Working top to bottom, the first box highlights the "Current State" captured by the research question. The research question begins with the need to conduct a current state analysis of corporate registration at GPEB. The current state analysis seeks to identify current practices, processes and potential gaps. The gap analysis framework identifies stakeholders internal and external to government, and what the potential gaps or worries are hypothesized to be.

The "Desired Future State" box represents the desired future state of Corporate Registration and signifies the desired future state once potential gaps or areas for improvements are identified. To identify what the desired future state is, a literature review, document analysis, and key informant interviews will be conducted with other Canadian gaming regulators to identify smart practice, successful policies, procedures, strategies, and any other relevant information that could inform or strengthen Corporate Registration at GPEB. The data acquired from the research phases will be analyzed and disseminated into potential options, with a recommended option and implementation plan for the client.

Figure 1: Analytic Framework



## 4. METHODOLOGY AND METHODS

The following section will provide of an overview and description of the research methodology and primary research methods selected for this report, and the limitations and delimitations of this approach. The research methodology utilized is a gap analysis, with the selected research methods being a traditional literature review and case study research through a cross-jurisdictional scan, consisting of a document analysis, and semi-structured key informant interviews. The selected research methodology and methods utilized support the overall analytic framework to answer the research questions.

### **Methodology**

The methodology for this research project is a qualitative research study utilizing a gap analysis. The gap analysis methodology is appropriate for this project, as this methodology allows for structured research into the current state of Corporate Registration at GPEB, and researching what is in existing literature, and how gaming regulators in other Canadian jurisdictions approach this work. The goal of the gap analysis is to isolate smart and worst practices documented in the literature and at other gambling regulators and capitalizing on this information to address the identified gaps, needs, or weaknesses at GPEB, maintain strengths, and in the case of worst practices, to avoid (Jannetti, 2012, p. 2).

The gap analysis occurred in two phases. First, a literature review of gambling regulation and registration was conducted. Second, a cross-jurisdictional document analysis and semi-structured key informant interviews were conducted with the Corporate Registration staff at GPEB in BC, and with representatives from the gambling regulators of Manitoba and Ontario. These jurisdictions were selected as they operate within the same regulatory framework established by the *Criminal Code* of Canada and are comparable to BC with regard to both the regulatory workload and size of their respective gambling industries.

The principle focus of this research project is gaining an in depth understanding of Corporate Registration at GPEB, and analyzing existing literature and other jurisdictions' approaches to corporate registration to identify smart practices that could be implemented. Given that the objective of the research question is to determine how the program area and processes can be strengthened, identifying smart practices is the most appropriate approach to answering the principle research question.

### **Methods**

The primary research methods used through this project include a traditional literature review, document analysis and semi-structured key informant interviews.

Traditional literature review: A traditional literature review spanning primary, secondary and grey literature sources was conducted to provide an overview of the research topic,

highlight major themes and ideas, and summarize smart and worst practices with specific regard to risk management and risk-based approaches, background investigations, and corporate compliance. A traditional literature review was selected for this research project, as it gathers and synthesizes the relevant findings and information in an easy to understand overview (Rozas & Klein, 2010, p. 395). The literature review played the role of familiarization with the research topic, and provided substantiated evidence in the comparison between BC, Manitoba, and Ontario.

Document review: Document review was selected for this research project as it is a method of collecting data to gain an understanding of an internal program or organization (Department of Health and Human Services, Centers for Disease Control and Prevention, 2009, p. 1; Flick, 2015, p. 152). This includes reviewing any hard or electronic copies of reports, program logs, policies, and any other relevant materials. Reviewing existing documents has the advantage of helping to understand organizational and program context, history and operation (Department of Health and Human Services, Centers for Disease Control and Prevention, 2009, p. 1). Document review was conducted through a seven-step process (Department of Health and Human Services, Centers for Disease Control and Prevention, 2009, pp. 1-2):

1. Assess existing documents.
2. Secure access to documents.
3. Ensure confidentiality.
4. Compile.
5. Understand the relevance of the documents.
6. Determine accuracy.
7. Collect data.

Semi-structured key informant interviews: The third method involved a blend of semi-structured and key informant interviews (Flick, 2015, pp. 140-141). Semi-structured interviews are appropriate for the research questions, as it allowed for the use of prepared questions covering the identified topics of interest, while maintaining flexibility to expand upon new ideas or topics that were raised through the interview (Flick, 2015, p. 140). This research project relied heavily on the subject matter expertise of interviewees, therefore key informant interviews were the preferred qualitative research method. Key informant interviews focus on specific process and technical knowledge and therefore warrants the use of more focused questioning (Flick, 2015, p. 141). Key informant interviews also served as an effective method to compare differences of knowledge in the same field, but from different institutions (Flick, 2015, p. 142).

The interviews occurred in two phases. First, individual interviews were conducted with each of the seven GPEB Corporate Investigators, the Corporate Registration Director, the Corporate Compliance Unit Manager, and the three Corporate Compliance Officers to answer the research questions concerning the current state and identify internal strengths, gaps, challenges and weaknesses. Two focus group with each set of teams were done with participation of all seven investigators and the director in one focus

group, and the Corporate Compliance Manager and the three Corporate Compliance Officers in the other focus group. Conducting both individual and focus group interviews were useful for capturing data related to the differing lengths of investigator experience, as some investigators are new in their role and some have been with GPEB for twenty or more years.

The second phase of interviews was with registration staff at gaming regulators in Manitoba and Ontario. These interviews provided qualitative data as to how their respective jurisdictions approach the registration of gaming companies, including highlighting history, smart practices, operational processes and outcomes. Interviews with registration staff in Manitoba and Ontario were over the phone and consisted of two separate interviews with two representatives from each of the gambling regulators.

The full set of interview questions can be found in Appendix C.

### **Project Limitations and Delimitations**

The limited number of gambling regulators operating in Canada with similar industry sizes to BC meant that jurisdictional scan for this project was derived from a small sample size. To address the relatively small sample size, in depth and methodical interview questions were employed to maximize the quality of qualitative data collected. Limitations in this project also stemmed from the research methods utilized. Limitations in document analysis arise due to documents being a form of secondary analysis. Documents have usually been created with other use instances in mind and may be written or communicated in a way that reflects biases from the author (Flick, 2015, pp. 152-154).

Limitations were present in the nature of interviews as a research method. The qualitative data from each interview may have been influenced by the personal ideology or views of the interviewee, or their own personal experiences. The strength of the qualitative data provided during the key informant interview phase relied solely on the quality and quantity of information participants were willing to share. Each province also has unique governance, regulatory, and industry features that may differ from British Columbia and may limit the applicability of some of the interview findings.

To manage the scope and provide relevant data and recommendations, only comparable Canadian gambling regulators that have similar industry sizes to BC were used throughout the research component. This project did not examine smaller provincial or territorial gambling regulators given their operational scope and limited gambling industries. This resulted in a smaller sample size, however it ensured that the findings are as generalizable to BC as possible. Research was conducted from a snapshot perspective; however, questions were formulated to address both the historical component of their respective Corporate Registration programs and any future organizational changes or initiatives. Questions were framed as neutral and open-ended to allow the participants to approach each question as they saw fit. This was done to minimize perceived biases on the part of the researcher. The feasibility of interviewing

and collecting data from gaming service providers and companies that are registered with GPEB was beyond the scope of this project from a resourcing perspective and given the nature of registration in gambling the possibility of a conflict of interest could have arisen on the part of the researcher.

### **Concluding Summary**

The research methodology and methods described in this section were selected based on the qualitative data required to complete a gap analysis and make connections between the current state and the desired future state. This mixed methods approach of combining a literature review and semi-structured key informant interviews ensures a current state can be constructed and compared against the findings of the literature review and responses from the jurisdictional scan.

## 5. FINDINGS: LITERATURE REVIEW AND DOCUMENT ANALYSIS

The following section of the report provides a summary of the findings drawn from the literature review in section 3 and the cross-jurisdictional document analysis. The summary of the literature review highlights the themes and ideas existent in gaming regulatory agencies and literature. The document analysis consisted of requesting access to any internal policies, procedures, or other materials that are used guide processes or decision making. The document analysis is structured based on the two groups making up Corporate Registration at GPEB, followed by Manitoba and Ontario.

### **Literature Review**

The laws that govern gambling are paramount to the effectiveness of the regulatory agency, with consensus that the laws should be drafted as broadly as possible and empower the regulatory agency with the authorities to do any activity in the pursuit of its mandate. For licensing and registration, the regulator should be empowered to exercise broad discretion and decision-making powers and authorities (Skolnick, 1978, p. 175; Aronovitz, 2002, p. 193). The licensing and registration decisions of gambling regulatory agencies must be final administrative decisions, and not applicable for judicial or legal review or challenge. However, they should be as administratively fair and defensible as possible through transparency.

Regulation in gaming, cannabis and alcohol have consistent and overarching themes. Regulatory agencies across industries have been faced with more tasks than their resourcing allows. In response, a transition from ad hoc approaches to regulation to risk-based regulatory frameworks is occurring in order to better manage regulatory resources (Black & Baldwin, 2010, p. 181). Risk-based regulation has had two principal achievements in the licensing and registration of companies. First, risk-based regulation allows for regulatory agencies to efficiently allocate their resources and focus to the riskiest registrants, both in risk of non-compliance and impact to the industry (as cited in Hutter, 2005, p. 7). Second, and while perhaps not a goal, but a side effect of implementing risk-based regulation, is that this method introduces guidelines and procedure to what has historically been an area of regulation with ad hoc, non-transparent and unstructured processes and approaches.

Risk-based regulation focuses on the goals of the regulator and involves a quantitative methodology to distinguish between applicants or registrants who are no to low risk and those who are higher risk (Baldwin & Black, 2008 p. 66; OECD, 2010, pp. 187-190). Using an evidence based and defensible methodology for regulatory actions enhances administrative fairness and decision-making transparency. This method is highly relevant to the licensing and registration of gaming individuals or companies, as these groups are subject to initial assessments to enter the industry but must then have their licence or registration renewed after a period of time. Given scarce resources that regulatory agencies are faced with, it is in the best interest of the regulator to have a defensible method to distinguish applicants based on risk, which in turn increases

resource efficiencies and can reduce the possibilities of completing redundant or unnecessary work.

The consensus that gambling regulators must be empowered as possible to conduct investigations and registrations also stems from the reality that no two applicants or registrants are the same (Jingoli, 1995, p. 76; Sayre, 1994, p. 96). This is reflected by gaming regulatory agencies having little operational policies or procedures guiding how investigators carry out their work. While there may be some overlap between files over time, each registrant and subsequent investigation is different, require differing areas of focus and contain unique situational factors. Registration in gaming relies on conducting an administratively fair assessment on vague and subjective qualities, such as honesty and integrity in business and personal matters, suitability, financial arrangements, and compliance with the law (Skolnick, 1978, p. 173). It is of the responsibility of the applicant or registrant to demonstrate that they are suitable to be registered. This responsibility to provide information and documentation to support suitability for registration is burdensome on the applicant or registrant (Skolnick, 1978, p. 174).

Finally, findings from the literature concerning the companies requiring registration with gaming regulators breaks these companies into larger and broader registration categories to effectively capture all of the varying companies that provide gaming services. As online gaming is not legal in most jurisdictions, the registration of these companies has not been fully contemplated in the existing literature. What was clear is that the level and depth of investigation directly reflects the class of registration of a gaming company, intertwining the classification and investigation process as one.

## **Document Analysis**

Document analysis was used to determine if the current state GPEB Corporate Registration and other gaming regulators utilized internal policies, procedures, or other materials to guide how registrations are carried out on a day-to-day basis.

GPEB Corporate Compliance Unit: The CCU did not have any documents or materials to provide that are used as policies, tools or reference to conduct their business.

GPEB Investigators: The GPEB Investigators did not have any documents or materials to provide that are used as policies, tools or reference to conduct their business.

Manitoba: The Liquor, Gaming and Cannabis Authority of Manitoba (LGCAM) indicated they did not have any materials that are used as tools or reference for conducting registrations.

Ontario: The AGCO was able to provide their risk-based score card tool. The score-card is central to the AGCO's risk determination process and is used for all applicants and registrants. The scorecard is used to weigh applicants and registrants based on key risk factors, including the type of company, a new applicant or a renewal, goods and services offered, impact to gaming or gaming outcomes, access to sensitive areas or

information, financials, previous compliance, corporate, criminal, or legal issues, and determinations of honesty and integrity.

Numbers are assigned to each of the items in the score card and when it is completed, provides an overall risk score. For AGCO's implementation, any score below 100 is considered low risk and would require a "Stage I" investigation. A Stage I investigation requires standard background checks, such as intelligence, credit checks, criminal record checks, and Canadian Police Information Centre (CPIC) checks, for any suspicious, negative, or derogatory information. Depending on the results, the Registration Officer may recommend proceeding to a 'Stage II' investigation based on the findings, such as when there may be a suspicious or red flag item in the score, but it was not enough to push the overall score over 100.

Should the risk score reach or exceed 100, the file is then forwarded for a Stage II investigation, known as a full due diligence background check. A Stage II investigation results in further assessments of suitability, including scrutinous assessments of personal information, financials, any other relevant information and participation in in-person interviews. The implementation of this risk-based approach to AGCO's registration provides a methodical and sound framework for distinguishing between low to no risk applicants and registrants and higher risk applicants and registrants.

### **Concluding Summary**

Preliminary findings indicated by the literature review and document analysis reinforce the reality that gambling regulatory agencies must make fair assessments and decisions on vague and subjective qualities. The lack of operational policies and procedures in BC and Manitoba is to be expected given the more traditional approach to background investigations, however with the AGCO in Ontario shifting to a risk-based regulatory framework, the AGCO has been able to implement a tool directly guiding and influencing how registration work is completed.

## 6. FINDINGS: GPEB CORPORATE REGISTRATION INTERVIEWS

The following section of the report provides a summary of the findings drawn from interviews with the Corporate Registration staff at the Gaming Policy and Enforcement Branch. Findings are separated into interviews with the Corporate Compliance Unit, followed by the Corporate Investigators. Due to the number of questions asked in the interview component, the findings have been grouped according to identified themes:

- Defining risk and integrity;
- Investigations, risk criteria and depth;
- Strengths, weaknesses and challenges;
- Problematic registrants, communication and disclosures; and
- Classes of registration.

### **Corporate Compliance Unit**

#### *Defining risk and integrity*

The interview participants from the CCU identified and agreed on two principal types of risk for Corporate Registration. Reputational risk was the most important and speaks to the public's confidence in the provincial gaming industry. Internal risk was also identified as the CCU must ensure that the registration of applicants and registrants are processed in a timely manner to avoid disruptions. Additionally, the CCU is responsible for managing the LRC Division finances and could be audited at any time, so the CCU must ensure effective and accountable operations to minimize operational and reputational risks.

#### *Investigations, risk criteria and depth*

The CCU indicated that they are the front line for the receipt of the application and subsequent disclosure documentation from applicants and registrants. An initial function is to review the disclosures for completeness and flag and escalate any information to the CCU Manager that would be considered suspicious or worthy of deeper scrutiny. One of the roles of the CCU Manager is to review applications and updated corporate information to make determinations on the class of the registrant, and the individuals with influence or decision-making power that must be registered.

#### *Strengths, weaknesses and challenges*

Strengths were identified across two main categories: personnel and communication, and organizational process and structure. Respondents indicated that their close work proximity allows for fast and immediate communication and the ability to check in and coordinate tasks instantaneously. Organizational and process strengths include having discretion and flexibility to make decisions; having a first set of eyes to review applications and disclosure packages; organizationally housing the CCU together with the corporate investigators allows for open lines of communication to share information

quickly and proactively; receipt of registration and investigation fees up front before work is started; and the utilization of effective tracking spreadsheets for files. Concerning weaknesses, respondents indicated that because the CCU is the gatekeeper of files, it can sometimes become a bottleneck of information throughout the Corporate Registration process. Principally, although the CCU and Investigators are together organizationally, there are time and situational factors that impact the receiving of completed investigation packages back to the CCU. Depending on other time constraints, priorities, and registration deadlines, sometimes the CCU will get the Report of Findings, expenses, timesheets and disclosures back from investigators at different times. This means CCU Officers must reopen and juggle old files to input missing information, which can increase the probability of error.

Respondents emphasized the biggest challenge and threat to the CCU are the resource constraints in the face of increasing workloads. The resource issues and succession planning had been identified in past reviews of CREG as priority organizational planning issues. Large workloads for the CCU focused on the inquiry, corporate governance research and registration has resulted in many compliance functions of the CCU are falling to the side and not being completed. The need to focus on top priority tasks has resulted in the non-collection, audit and filing of corporate financial statements, and the inability to allocate time to issue warnings or administrative fines or sanctions when they should be issued. Respondents indicated that given the complex nature of business structures and arrangements, the CCU must spend increasing amounts of time scanning complex organizational charts and ownership structures resulting from mergers and acquisitions to identify the key employees or shareholders.

#### *Problematic registrants, communication and disclosures*

As GPEB must register both the corporation and the key personnel, registrants have a regulatory requirement to update GPEB on key employee movements, whether departure or acquisition. Respondents indicated that communications from registrants to GPEB to update on new executives or key personnel continues to be an issue, with GPEB receiving notification sometimes weeks or months after a key employee had departed a position or a new key employee was hired. Respondents indicated that post registration reviews could be helpful in keeping GPEB up to date, however these reviews have not been occurring due to other priority tasks.

The receipt of application or renewal fees was also flagged as sometimes problematic. If the fees are not collected from applicants or registrants in a timely manner, the rest of the registration process and subsequently the timelines for the investigation and potential travel are negatively impacted.

Respondents indicated that GPEB encounters few problematic registrants, however the initial collection of disclosures can be lengthy with substantive back and forth communication. Push back from new applicants or registrants at the beginning or throughout the registration process due to the level of information required as part of the disclosure forms is common and can result in delays in the movement of a file to investigators. Mixed interpretations of some of the items in the disclosure forms

themselves also means they may be completed incorrectly. Respondents indicated that some measures are being implemented to simplify the disclosure forms with the addition of a “No Change” check box for multiple sections based on feedback from registrants.

### *Classes of Registration*

Respondents indicated that the classification of gaming companies must follow the prescribed classes of registration contained in the Gaming Control Regulation. The principal issue with the existing classes of registration is that they have not changed since the regulations were legislated in 2002. As such, the GCA nor the GCR contemplate the emergence of internet and online gaming or the companies that provide various supplies and services to support these industry developments. As a result, companies must be fit into the most appropriate classification that exists, which creates irregularities in the registration and renewal fees paid by different companies. This was identified by respondents as the principal issue of the registration classes, given gaming has changed significantly since the early 2000’s. There were also feelings that there are too many classes of Gaming Service Providers split along specific differentiators, such as the range in the number of slot machines offered, or very specific classes for particular goods or services.

## **GPEB Corporate Investigators**

### *Defining risk and integrity*

The interview participants consistently indicated that the biggest risk for Corporate Registration is reputational risk for GPEB, BCLC and government at large. Respondents indicated there cannot be any risk or realization of risks in Corporate Registration that could expose or embarrass GPEB or government.

In addition to reputational risk, the probability of noncompliance the impact of that noncompliance is a central focus. There is also a risk in maintaining credibility and confidence with the gaming industry. GPEB cannot risk compromising industry confidence given the sensitive, personal and confidential information the industry must share with GPEB. Integrity was defined as a fluid concept but related directly to demonstrating ethical behaviour in both one’s work and personal life. Integrity was explained to be highly discretionary, as one may have had an instance of derogatory or unethical behaviour in the past, but the investigators must take into account the nature of that derogatory activity. Respondents indicated that because each applicant and registrant are different, they must take into account the specific factors when making an assessment of integrity.

### *Investigations, risk criteria and depth*

Respondents indicated that the primary tool to begin assessing the risk of an applicant or registrant is their class of registration. The highest risk applicants or registrants which warrant the deepest investigation, are the gaming companies, operators, and suppliers. These companies have the largest impact on gaming and have substantial influence on the industry, game outcomes and are the most organizationally complex. Classes that

may warrant a less deep investigation are the ancillary service providers, such as food, beverage and sanitation. These companies do not directly impact gaming, but they will be contracted by the gaming operator and have access to the gaming floor or other parts of a gaming facility.

Respondents indicated there are a number of factors in the risk assessment process. Investigators take into account the sector in which the company operates, the size of the company and its related size to the industry, where they are geographically based in the world, the ownership structure, and if the company is private or public. Investigators will also identify and take into account any risk mitigating factors, such as their track record with other regulators, if they are registered with other reputable regulators, the tenure of ownership or controlling shareholders, and the company's financial status with regulators. All of these factors will dictate the amount of time and resources devoted to an investigation.

Respondents indicated that through the disclosure forms, applicants and registrants are held to the same minimum standard. Based on the information contained in disclosures, the investigators can identify areas of interest to further guide the investigation and to develop questions for the interview. Investigators are empowered to press and dig for information or explanations until they are satisfied the registrant is suitable. This structure accommodates the reality that while there may be some similarities, each registrant and investigation is inherently different.

#### *Strengths, weaknesses and challenges*

Respondents identified the registration process itself as a strength, notably the collection of fees up front before any work is started. The process of file ownership was also highlighted as a strength, as investigators can intimately understand their files and specific details. The high level of discretion, individual decision-making and ability to dig for information to their satisfaction was mentioned as a substantive strength. The experience, teamwork, skillsets and close nature of the investigators was cited as a definite strength. While no single investigator is a subject matter expert in all areas, each investigator has a relevant area of expertise and can contribute expertise to each other's files in areas such as criminal matters, financials, or accounting, to each other's investigations.

Internal access to experts in audit and accounting, and experts in the technical or mechanical aspects to gaming equipment and supplies when needed was highlighted as a strength. The depth of experience for many of the Corporate Investigators has fostered a fundamental understanding of the how the gaming business works, and this experience allows investigators to formulate specific and concise questions for interviews. Several respondents indicated that they have not registered some applicants which have been registered with other jurisdictions, and that some of these applicants later engaged in activities that had become regulatory or criminal matters.

Additionally, a strength for investigators is having the ability to travel for interviews whenever required. Respondents viewed travel as a necessary component in order to

properly determine an applicant or registrant's suitability or to physically inspect facilities or equipment. Some respondents communicated that they had tried Skype or video interviews in the past, but indicated that other forms of communication, such as body language and the nuance of in person communications are missed. In person interviews also allow investigators to press on certain topics or questions that a registrant must address in the moment. Respondents also indicated that while the travel is crucial to conducting a comprehensive and fulsome background check, it also allows investigators to converse with the applicant or registrant, cover additional topics of interest not captured in the disclosure forms, and overall provides a mechanism to build and maintain a positive relationship between the gaming company and the regulator. The cost of the investigation and associated travel for companies outside of BC is paid for by the applicant or registrant and respondents indicated that Corporate Registration operates on a cost recovery model.

A significant challenge for Corporate Registration are the cascading effects in delays receiving disclosures and registration and investigation fees. Although resources are not dedicated to a file until the fees are received, this also means that planning an investigation and subsequent timelines is impacted when fees are not received in a timely manner. Delays can impact the flow and movement of other files, and often results in travel having to be booked closer to the departure date, which usually means more expensive transportation and accommodation.

A weakness identified by respondents was the lengthy approval process for travel authorizations. Approval lies with the Executive Director of LRC for travel in BC, however the Deputy Attorney General must approve international travel. This means approvals must be sought up the line of command from the Executive Director of LRC, to the General Manager of GPEB, finally to the Deputy Attorney General. This approval process adds additional time and logistical complexity. Respondents indicated that this regularly causes planning issues and that every request for international travel has been approved with no issues or pushback.

Internally, records management was identified as an area which has been problematic. There have been issues with naming conventions and the organization of files and records, which has made finding older files or reopening files difficult. There can also be challenges in seeking information from regulators in other jurisdictions, both Canadian and internationally. Respondents indicated some kind of working agreement or Memorandum of Understanding between regulators would help Corporate Registration. Succession planning is a challenge across all governments, however for Corporate Registration, succession planning and capturing the existing organizational knowledge and experience was identified as an area of concern. Respondents indicated that there is an absence of training materials, operational policies and other tools and frameworks that guide this work.

#### *Problematic registrants, communication and disclosures*

Registration renewals occur over a five-year rolling basis. Respondents indicated that the five-year cycle works well from a risk management standpoint, given it is a

comfortable enough time period for the investigators without imposing too much of a burden on registrants. The registration process, notably the completion of disclosures and subsequent investigations, is burdensome to registrants due to the level of cooperation and financial commitment, as registrants are required to pay for the investigation time.

Corporate Registration does not encounter many problematic registrants; however, the issues lie in the pushback and resistance to the depth of information required to complete the disclosure forms. Registrants on occasion question the need to be registered or can be unwilling to provide the level of personal detail required. In effect, respondents indicated that the disclosures themselves are a strong preventative measure to deter individuals with derogatory information from trying to become registered. This creates an environment of communicative back and forth between the CCU and the applicant or registrant. Respondents indicated that most issues lie with new applicants, as registrants approaching renewal know the process and information required.

### *Classes of Registration*

Much of the feedback from the investigators echo the thoughts and responses from the CCU. Respondents indicated that although the CCU determines the appropriate classification of an applicant, they have identified issues with the existing classes of registration and the difficulty of reconciling the current classes with newer online and internet gaming companies. While there were different approaches to how the classes might be fixed, there was agreement that a class or classes of registration for internet and online gaming companies must be implemented. Respondents indicated that the Gaming Control Regulation establishes the classes of registrants and the associated registration fees as law. Therefore, any changes to the classes and associated fees must be done through a legislative amendment and submission of a proposal to the Treasury Board.

### **Concluding Summary**

Across each interview and focus group, GPEB Corporate Compliance and Investigations respondents consistently articulated near identical strengths, gaps, and challenges. Identified strengths should be preserved to maintain the operational effectiveness of the program area, however, there are numerous areas that could be improved upon in relation to operational processes that could further enhance internal efficiency and effectiveness and improve service delivery. However, some challenges for Corporate Registration and gaming regulators worldwide lie with applicants and registrants and are therefore difficult to remedy. The quality and consistency of data collected represents a credible foundation on which to develop the current state.

## **7. FINDINGS: MANITOBA AND ONTARIO INTERVIEWS**

This section of the report provides a detailed overview of the findings drawn from interviews with licensing and registration staff from the Liquor, Gaming and Cannabis Authority of Manitoba (LGCAM), and the Alcohol and Gaming Commission of Ontario

(AGCO). While each regulator from Manitoba and Ontario has a comparable business unit for registering corporations, the methodologies, approaches and processes are different from BC.

### **Liquor, Gaming and Cannabis Authority of Manitoba**

The Liquor, Gaming and Cannabis Authority of Manitoba (LGCAM) is the provincial regulator for all gaming conducted and managed in Manitoba (Liquor, Gaming and Cannabis Authority of Manitoba, n.d.). In addition to its responsibilities as the provincial regulator, the LGCAM runs the gaming supplier program, which fulfills the same core function as Corporate Registration in BC (Liquor, Gaming and Cannabis Authority of Manitoba, n.d.).

#### *Defining risk and integrity*

Respondents from the LGCAM indicated that risk in the supplier program stemmed from new applicants and assessments based on corporate and criminal factors, rather than financial considerations given the lack of financial resources available. Principally, risk is understood to be the likelihood that a registrant may violate rules or engage in negative or derogatory behaviours. Integrity was described as a more abstract concept, and although written into legislation, is not clearly defined. Respondents indicated integrity was the result of a corporation's history in the gaming industry and if they were able to operate without any regulatory issues.

#### *Investigations, risk criteria and depth*

Respondents indicated that while suppliers are registered with the LGCAM, the provincial lottery corporation, Manitoba Liquor and Lotteries (MLLC), is responsible for conducting suitability assessments on gaming operators. For the gaming suppliers that LGCAM registers, respondents indicated that there are roughly 60 corporations registered, with five or six new applicants each year, on average. Due to the low volume of gaming suppliers needing registration, there is no formal risk assessment model used to assess corporations. New applicants are still subject to a full due diligence investigation; however, renewals are not subject to the level of the initial investigation unless there have been issues with the company's compliance since their last registration or renewal.

Respondents indicated that investigations are consistent and follow the same basic formula. Respondents indicated that any individual or group that has ten percent or greater ownership of the company is subject to investigation, however the legislation provides the power to investigate anyone based on an assessment of the role played and impact or influence on business decisions. An important feature in Manitoba is that the individuals such as chief officers and directors are not directly registered. These individuals will undergo a suitability assessment; however, their registration is not individual and is instead tied to the company. Respondents noted that this feature has on rare occasions put some companies in positions where registration has been at jeopardy due to an executive being found unsuitable. Although rare, this type of situation has held up larger mergers and acquisitions of some gaming companies.

### *Strengths, weaknesses and challenges*

Given the smaller number of registrants, respondents highlighted fast turnaround times for processing existing registrants, the lowest registration and renewal fees of the Canadian provinces, and their ability to manage company ownership and corporate structure changes quickly.

Respondents indicated that because the investigation and registration groups are organizationally separate, this causes challenges for investigators because they do not own the specific file. The lack of a forensic auditor and relative financial and audit expertise was also seen as a weakness, citing resourcing constraints. The constraints on travelling for investigations was also seen as the largest weakness. Previously, investigators had the ability to travel for interviews, however organizational changes and direction from executive has placed restrictions on the ability to travel for investigations. This can be problematic because many jurisdictions will only release information in person, or in many instances for gaming suppliers, equipment and facilities will need to be physically inspected for certification. For many files then, the LGCAM must rely on other Canadian regulators for investigative findings and registration decisions, especially BC with regard to online and internet-based gaming companies.

For Manitoba, the biggest challenge has been organizational changes, including the amalgamation of liquor in 2014, the recent addition of cannabis regulation, and the responsibility to regulate horse racing next year. Previously, LGCAM had separate investigators for registration and compliance, which respondents viewed as a positive feature organizationally.

### *Problematic registrants, communication and disclosures*

Respondents indicated that almost all applicants or registrants are cooperative and that there are relatively few issues with the completion of disclosure forms. Gaming companies will often provide information to each regulator they are registered with based on the jurisdiction with the highest standard of reporting, so often times they report too much information. There are occasionally issues with new applicants, however respondents indicated that given the small number each year, communication and education easily solve any issues. There are more challenges internationally, especially in Europe, where there are stricter privacy laws, however registrants will usually obtain the necessary notarized information for the LGCAM ahead of time. Respondents mentioned there are sometimes issues in obtaining the necessary checks from agencies in the United States, but it depends on the agency and information and is out of the LGCAM's control.

LGCAM is kept up to date with personnel or changes in the gaming corporations mostly through email. The lower number of registrants and new applicants means that LGCAM can be relatively quick in working with registrants to provide any updates. Updating the regulator on changes was observed to be quite strong where LGCAM had strong rapport with the gaming corporation.

### *Classes of Registration*

Respondents indicated that the classes of licenses for their gaming suppliers and service providers program are contained in their enabling legislation. The classes are organized by the good or service provided but do not distinguish them further based on gross revenues or number of games offered. Respondents indicated that having the classes themselves broad allows the LGCAM to cover all of the areas of gaming companies in a simplified way. As an example, gaming operators is one class and the companies in this class are not distinguished by numbers of games or annual revenues.

## **The Alcohol and Gaming Commission of Ontario**

### *Defining risk and integrity*

Respondents from the AGCO indicated that risk in the commercial gaming industry is principally the probability of noncompliance and what the impact of that noncompliance on the gaming industry. Integrity was viewed as being tied directly to the public interest and that the public must know that the gaming industry and regulation framework is airtight from forces that could impair the integrity or fairness.

### *Investigations, risk criteria and depth*

Respondents indicated that the AGCO transitioned to a standards and risk-based regulatory framework. A standards-based model was described as shifting away from prescriptive policies for the gaming industry, towards communicating a minimum standard of compliance. This regulatory model allows registrants to determine how they will meet the standard established by the regulator. For Corporate Registration, the principal method used to assess a company's risk profile is the use of an internally developed risk-based scorecard. The scorecard contains numerous items concerning the type of registrant, good or service offered, and history with regard to regulatory compliance with regard to areas such as corporate, criminal or financial matters. When the scorecard is completed by the Eligibility Officer, a score will be generated. For AGCO, scores below 100 are low risk and scores 100 or above are considered to be higher risk. A score below 100 will trigger a 'Stage I' investigation, meaning criminal record, credit, and police databases checks. Depending on the outcomes of the Stage I checks, the Eligibility Officer may approve registration, or pass the file on for a further 'Stage II' due diligence review.

Stage II reviews are conducted by police officers of the Ontario Provincial Police (OPP). The OPP have a dedicated police bureau, the Investigations and Enforcement Bureau (IEB), integrated directly into AGCO. The officer assigned to a file will conduct a deeper investigation based on any flagged information by the Eligibility Officer and will travel to conduct interviews. Respondents indicated that travel was viewed as a necessary component of completing a fulsome and credible investigation, with the cost covered by the registrant.

### *Strengths, weaknesses and challenges*

Respondents indicated that the switch to a standards based regulatory framework and a risk-based approach to Corporate Registration has been beneficial for organizational efficiency and allocating resources to where they need to be. All new applicants are

subject to due diligence reviews, however the risk-based score card is less burdensome on applicants and registrants, while still having the flexibility to address applicants and registrants who are riskier. If no derogatory or negative information arises in a company or individual under that company's registration, then for the AGCO, there is little reason to conduct another full due diligence review. Should an issue arise in a renewal, the AGCO has the flexibility to reassess the file and the risk relationship with that company. Most importantly, respondents indicated that utilizing a risk scorecard system has introduced method and documented procedure to what was originally a more ad hoc investigations process.

Respondents indicated the numerous advantages of using the risk scorecard to guide investigations, however, it was communicated that rarely an applicant or registrant had managed to slip through the risk scorecard when there were some red flags that warranted a due diligence investigation. It was expressed that the AGCO was able to catch these errors and correct them quickly. AGCO's Corporate Registration engages in almost all of its communication with its applicants and registrants through its online portal. This is where disclosure forms and communication occur between companies and the regulator. The use of an online system was noted as a significant advantage; however, the online disclosure forms must be filled out in a specific way or they cannot be submitted. There have also been issues with international applicants, as the forms ask for specific Canadian identification.

The most significant challenge for AGCO's Corporate Registration program is more in line with registration compliance, in that is difficult for the regulator to hold all registrants to the same standard. Each applicant and registrant are different, and while the standards may be appropriate to larger corporations, it can be challenging for smaller gaming companies to meet the registration standards.

#### *Problematic registrants, communication and disclosures*

Respondents indicated that Corporate Registration in Ontario faces few problematic applicants or registrants, and that any kind of issue is related to push back in the information required in the disclosure forms. This mirrors what continues to be a common issue in all jurisdictions.

Communication between the regulator and companies primarily occurs through the online registration portal, which is a centralized communication and form submission system that can be accessed by the regulator and applicants or registrants. This system allows for centralized communication without the need for emails and other fragmented communication means. Disclosures are also submitted through this system, however as a challenge, there continue to be issues with specific information being in the disclosure forms before they can be submitted, which has often created delays.

#### *Classes of Registration*

Respondents indicated the AGCO has classes of registration based on their business areas, principally casinos, internet gaming and lotteries. For the purposes of corporate registration, the AGCO has broad overarching categories of gaming operators, and

gaming or non-gaming related suppliers. The Ontario Lottery and Gaming Corporation provides online gambling in a similar way BC does through its PlayNow.com service. For classifying internet gaming companies, the AGCO has taken the approach of mirroring the same categories that have been created for land-based gaming operators and suppliers.

### **Concluding Summary**

Interviewing and collecting data from Manitoba and Ontario highlighted significantly different approaches to how gaming companies are registered, both in comparison to each other and in comparison to BC. Immediately clear are the same foundational principles guiding company registration, including information collection and the risk factors weighed and assessed. The differences lie in the operationalization of each Corporate Registration program with consideration to unique factors in each province. A significant difference is between how the AGCO in Ontario has reformed and operationalized Corporate Registration based on a risk-based regulatory framework in comparison to BC and Manitoba. The approaches and tools used by the AGCO could serve as a model for an effective future state for how registration is approached in BC.

## 8. DISCUSSION AND ANALYSIS

This section analyzes the findings of the literature review, document review and key informant interviews to determine how GPEB can strengthen its Corporate Registration program area. The potential opportunities are grouped by themes from the findings in Sections 5, 6 and 7, and are refined into options and recommendations for the client in Section 9.

### **Investigations, risk criteria and depth**

Based on the findings from the current state analysis at GPEB and cross-jurisdictional research on gaming registration in Manitoba and Ontario reveals that these jurisdictions are doing the same type of work as a way to license or register gaming companies, but it has been packaged and implemented in varying ways.

All of the gaming regulators assessed for this report weigh their applicants and registrants along a near identical methodology, principally considering the size of the company in absolute and relevant terms to the provincial industry, and the impact of non-compliance by that corporation. Gaming regulators assess corporations based on similar risk profiles, such as goods or services offered, executives, directors, managers and other key decision-makers, and the corporate, financial and ownership structures. This finding is consistent with the responses from interview participants in both Manitoba and Ontario, the broad registration investigation criteria identified by Faiss and Gemignani (2011), The Alcohol and Gaming Commission of Ontario (n.d.), Sayre (1994), and Jingoli, (1995). The most striking feature across contemporary gaming regulators is that there is often little to no operational policy, frameworks, or tools that govern how companies and key employees are assessed based on their risks to the regulator and industry, and there is a likewise absence of frameworks or tools that govern how far or deep an investigation must be. This was lack of policy frameworks or tools was evident in BC and Manitoba.

For BC, the quality and depth of investigations is held in high regard both internally to GPEB and externally in the provincial gaming industry. Broadly drafted laws have placed significant discretion and powers with GPEB's Corporate Investigators, directly mirroring a key foundational concept identified in the gaming registration literature (Skolnick, 1978, p. 175; Aronovitz, 2002, p. 193). An initial application and subsequent registration renewals are treated with a full due diligence investigation, and with the case of BC, no stone is left unturned until the investigator is satisfied the applicant or registrant is deemed suitable. This deep investigative approach is consistent with Skolnick (1978), which highlights that personal and business relationships have become so large, complex, and interconnected, that it is difficult to judge somebody by their outward appearance, and therefore, must be thoroughly investigated (p. 172). Maintaining this investigative discretion and effectiveness is in GPEB's best interest to maintain the integrity of gaming. A side effect of this approach is that it must reconcile with the reality that because all applicants or registrants are different, investigations must be conducted on a more ad hoc basis and rely heavily on the investigative experience and expertise of the Corporate Investigators (Faiss and Gemignani, 2011, p.

2). Establishing specific and prescriptive operational policies and procedures for investigations is therefore incompatible and seems to be best captured by guiding principles.

This discussion therefore raises the foundational question that GPEB and CREG must both consider: What level of risk is the regulator willing to accept in registrations? The current spotlight on the casino industry and money laundering through Dr. Peter German's report 'Dirty Money'. Risk tolerance is an important question for GPEB to ask itself as the gaming regulator. Based on the current environment in BC and information from respondents, there is no tolerance for any risk in registration that could embarrass both GPEB and the government. Ensuring the integrity of gaming is GPEB's mandate and CREG plays a crucial role in maintaining industry legitimacy by deciding who may and may not enter the industry (As cited in Rorie, 2017, p. 72). Based on the current environment, the existing methodology to investigations has numerous strengths, principally in that investigations can be at the depth required to uncover questionable or unethical activity through complex business or financial arrangements. The thoroughness and depth of investigation is itself a deterrent for organized crime or individuals with questionable ethical or licensing suitability.

The literature is clear that investigators in gaming registration must be as empowered and unhindered as possible to meet their objectives and the organizations mandate (Skolnick, 1978, p. 175; Aronovitz, 2002, p. 193). This is a clear strength for Corporate Investigators at GPEB, and should be maintained, given interview participants from Manitoba cited an inability to conduct a fulsome background check due to regular barriers and constraints on travel or resourcing. The literature review also highlighted the need for regulators globally to be able to change and adapt as the industries they regulate evolve, and regulatory agencies are asked to do more with less (Black & Baldwin, 2010, p. 181; OECD, 2010, p. 189). Regulatory reform and movement towards risk-based regulation could be utilized in the Corporate Registration area while still preserving the numerous strengths that exist.

Following developments in regulatory reform, GPEB could introduce a quantitative risk assessment scorecard tool or framework for Corporate Registration, which are becoming increasingly utilized in numerous regulatory industries (Baldwin & Black, 2008 p. 66; OECD, 2010, pp. 187-190). This tool could be based off of what the AGCO has implemented to transition to a risk-based registration process. The scorecard could be tailored to the needs of BC in consultation with GPEB's Corporate Investigators. A risk scorecard for GPEB should capture all of the risk criteria and factors that are currently assessed. This provides a method to distinguish between low to no risk companies and individuals. This method can allow investigators and CREG as a Unit to enhance resource efficiency and make faster registration decisions on low to no risk individuals and companies, while still isolating higher risks for a full background check, thus preserving the investigative effectiveness of GPEB's Corporate Investigators.

New applicants for Corporate Registration must always be subject to a full due diligence background investigation, therefore, implementing a scorecard tool for initial

background investigations is redundant. Where the true benefit of introducing this tool is realized is for registration renewals. By assessing renewals using the risk scorecard, this method can defensibly identify key individuals at gaming companies with little influence or impact who may not require another significant background investigation due to their ongoing display of high ethical, business and financial integrity. An initial investigation can mirror what is done in a Stage I investigation at the AGCO, however investigators will always have the necessary discretion to investigate any potentially suspicious or derogatory information in a file.

Principally for registration renewals, this approach can allow for the efficiency and allocation of resources that is needed, while still maintaining the investigative effectiveness, freedom, and independence of the Corporate Investigators. The other significant advantage is that by tailoring a risk-based scorecard to the needs of BC in consultation with Corporate Registration, this provides a way for GPEB to capture the experience and expertise of the existing investigators. This will help to ensure GPEB has tools and systems in place for future training and succession planning.

It was communicated that between all of the Corporate Investigators and Director, there exists over 100 years of investigative experience both inside and outside of gaming. It is clear that CREG heavily relies on the investigative experience and expertise of its investigators, however, these individuals will eventually retire or depart GPEB. The implementation of a risk-based scorecard provides a key structural component of ensuring that CREG and the LRC Division has a long-term system in place for Corporate Registration, because GPEB cannot guarantee it will have the same type of highly qualified and experienced investigators in the future. Given the advantages this type of registration framework can provide, GPEB may also wish to consider implementing a risk-based scorecard for their Personnel Registration business unit. This type of framework could allow workers in gaming facilities with little to no impact on gaming and no derogatory information on their file, to receive a registration approval quickly, with more complex files forwarded for a fulsome background investigation.

### **Strengths, Weaknesses and Challenges**

GPEB's Corporate Registration program has numerous strengths that should continue to be leveraged. Processes such as receiving monies up front before any work is started and providing investigators with the independence to exercise their discretion and judgement are notable strengths. Housing the CCU and the Corporate Investigators in the same business unit and physically located beside each other in the GPEB head office streamlines communication and timeliness. Participants from Manitoba cited having the registration staff and investigations staff separate as a significant logistical and operational challenge. The ability to travel whenever needed is a significant strength for Corporate Investigators and should continue. Both the literature, and participants from Manitoba, and Ontario viewed travel as an essential feature of an effective registration regime, especially gaming regulators with numerous registrants, such as in BC and Ontario.

Through the key informant interviews, respondents indicated and provided insight into weaknesses and challenges. What continue to be issues for gaming regulatory agencies are the numerous opportunities for delay and the cascading effects delays can have on the registration process (Sayre, 1994, pp. 96-97). This is evident for the CCU group, who manages the overall movement of files through the registration process. Delays in receiving disclosures and application monies or renewal fees causes a cascade effect of delays in the investigation, and the return and filing of documentation. CREG must ensure that registrations are processed in a timely manner, so minimizing delays is a crucial component of efficient service delivery. In light of these process issues, GPEB should execute a full internal process review of Corporate Registration. This would entail mapping the entire Corporate Registration process, identify opportunities to improve the workflow, brainstorm how processes can be improved or fundamentally changed, implement those changes, and evaluate the changes. Corporate Registration should focus on key points through the registration process, including focusing attention on or rethinking:

- How the collection of renewal fees is done and paid;
- How disclosures are sent out and received to ensure timeliness on the applicants end;
- The movement of files between Investigators to the CCU; and
- How often and early should travel approvals be submitted.

Respondents indicated the impact on their work areas as a result of delays in these specific parts of the registration cycle. As no investigation can begin without receiving the necessary funds, ensuring timely receipt is key to beginning and planning background investigations. GPEB may also wish to reconsider how international travel is planned for Corporate Investigators. International travel requires approval from the Deputy Attorney General, after first gaining approval from the Executive Director of LRC and GPEB's General Manager. Given the other priorities and responsibilities of these individuals, gaining the necessary approval for travel can often take weeks. This has a substantive impact on the planning of and logistics of investigations, given fluctuations in airline ticket prices and investigators juggling multiple registration files. To cope with this situation, Corporate Registration may wish to submit travel approvals as frequently and early as possible whenever upcoming travel is a possibility, guaranteed or not, or identify another solution through a process review.

Workloads for the Corporate Registration program had been identified as an issue through previous program area reviews and continues to be based on feedback from the respondents. This was most apparent for the Corporate Compliance Unit, whose workload and roles have expanded while being unable to have a fully staffed team. Presently, the CCU's role as the gatekeeper of registration files and first point of contact means this group is communicating back and forth with applicants and registrants, chasing down registrants for fees and completed disclosures, and handling inquiries from prospective companies that are time consuming and take time away from other more productive tasks. Respondents from the CCU indicated that they are kept busy with these tasks and getting registrations processed and filed as quickly as possible to

meet deadlines that the corporate compliance function of this group has been largely neglected.

Financial statements from registrants which should be collected and assessed every year are not collected due to the CCU's core registration priorities. The submission of financial statement from companies to GPEB is a legislated requirement in Section 77(1) of the Act and is an important regulatory component of ensuring the continued financial integrity of GPEB's corporate registrants. Financial statements are a principal method CREG uses to ensure ongoing financial integrity outside of registration renewal every five years. The CCU should be collecting financial statements and should also be recommending issuance of warnings and penalties to companies, not just for the non-submission of these statements, but also untimely submission of renewal fees, disclosure documents, and organizational changes. As these corporate compliance activities have been largely sidelined, GPEB may wish to target additional resources to specific positions that can fulfill these requirements, or ensure the existing positions are fully staffed.

What has grown to take up more of the CCU's time is the analysis of increasingly complex organizational charts and corporate ownership structures to determine which key individuals must be registered. GPEB may wish to consider including this time as billable investigation time, given the resourcing this task continues to consume. In comparison to Ontario, the equivalent group to GPEB's CCU is staffed by roughly 12 full time equivalents, compared to the current four.

### **Problematic registrants, communication and disclosures**

Based on the responses from both GPEB's Corporate Registration and the similar groups in Manitoba and Ontario, there are very few, if any, problematic gaming company registrants. The issue is then determined to lie with the communication between the CCU and gaming companies. Delays stemming from a lack of adherence to timelines and deadlines on the part of the applicant or registrant for the provision of materials to gaming regulators is common across all jurisdictions (Sayre, 1994, pp. 96-97). This includes the collection of registration or renewal fees and most significantly, the submission of disclosure forms. The disclosure forms required for registration are numerous, tedious, and request deeply personal and financial information. Push back due to the depth of information required is common and results in unnecessary back and forth communication between the applicant or registrant, and the CCU. This back and forth is time consuming and results in the CCU having to chase down registrants.

The limited resourcing that currently exists in the CCU does not help this situation. The limited resources available must be focused on ensuring the steady flow of registration applications or renewals are processed to strict deadlines. Without an approved registration or renewal, companies cannot be operating as a gaming business in BC. The CCU has little capacity to effectively chase down or penalize applicants or registrants late on their fees or disclosure forms. Given the challenges, the CCU may have to rethink how the completion and collection of disclosures and fees is done. Making things as easy and accessible as possible for registrants is preferred, therefore

in re-thinking this area of the business, CREG may wish to switch to an online portal for the submission, similar to what Ontario has implemented, to manage the collection of disclosure forms and fees. However, this type of initiative would require substantive time, resources and effort.

Continued issues surrounding the completion of disclosures is difficult to solve and lies directly with the applicant or registrant to complete. Clearer education or communication on the disclosure package itself of the need to complete in full as a legal obligation under the *Gaming Control Act* or face warnings, registration delays, or future registration issues could be an effective method to ensure disclosures are received on time and completed in full. Just as other gaming regulators have experienced, there will always be applicants or registrants that do not adhere to submission timelines or disclosure instructions (Sayre, 1994, pp. 96-97). Corporate Registration should take the approach of making it as easy as possible for applicants and registrants to provide fees and disclosures given the cascading impact delays in this initial phase of the Corporate Registration process.

### **Classes of Registration**

BC's Gaming Control Regulation contains the prescribed classes of registration for gaming service providers. A feature mentioned in all key informant interviews with GPEB's Corporate Registration staff is the inadequacy of the existing classes. First, classification issues arise due to the number of classes and the specificity of making several sub types due to gross revenues or games offered. Second, and what was communicated to be the biggest shortcoming, is the absence of classes for online and internet-based gaming service providers. As the GCA was introduced in 2002, the regulator and legislators at the time of drafting most likely did not contemplate the gaming industry innovations that are commonplace today.

Regulated online gambling is prolific in British Columbia, as the BC Lottery Corporation operates PlayNow.com. The introduction of regulated online gaming means the companies providing the games and service must be registered with GPEB. As there are no classes for online gaming service providers, these companies end up being registered with an existing classification that best matches the goods or services they provide.

Based on the research, it was clear that both smart practice in the literature and in Manitoba and Ontario, is to introduce a method of simplified classification for their corporate and commercial registration programs. Few other regulators operate in jurisdictions that allow online gambling, but the ones that do have structured their registration classes for online and internet companies to mirror that of existing land-based casinos and gaming service providers. Although this research project did not investigate the classes of registration in greater detail to provide explicit recommendations as to what the classes should be in BC, GPEB may wish to emulate the smart practices and lead of other gaming regulators. This could be done through simplifying the classes of service providers by reducing the number of classes available and broadening the scope of each class to ensure each class can capture a wide

variety of gaming service providers. Based on Ontario's implementation of registration classes, GPEB may wish to introduce classes of online gaming in the same manner which mirrors the existing land-based and physical gaming operators and gaming service providers.

The largest challenge to amending the existing classes of registration is that to implement any changes, submission and input from the Treasury Board would be required, in addition to navigating the political process to introduce the regulation changes into law. Given the situational constraints and significant work being undertaken to implement legislative changes in response to Dr. German's report and recommendations, amending the classes of registration may not be feasible for several years.

### **Concluding Summary**

This section analyzed each of the grouped themes identified in the key informant interviews. It is shown that GPEB's Corporate Registration program area has numerous strengths, notably in the level of collaboration between units, investigative effectiveness, and quality of personnel. When compared to the literature, GPEB embodies numerous positive aspects, principally the high level of investigative freedom and discretion Corporate Investigators exercise. The analysis also highlighted some challenges, notably numerous issues in the Corporate Registration internal process, an absence of risk-based assessment tools that are being introduced in other jurisdictions, and a significant reliance on the experience and expertise of team members. Although not all of the findings across the literature review and key informant interviews is applicable to GPEB given the existing organizational design and how BC's gambling industry has evolved, there are opportunities to adapt and apply the findings in ways that can strengthen the Corporate Registration program area.

## 9. OPTIONS AND RECOMMENDATIONS

The following section of the report identifies potential options and recommendations for the Gaming Policy and Enforcement Branch to strengthen, streamline and address gaps and challenges in the Corporate Registration program area. The options are:

1. Introduce a risk-based scoring tool for renewals.
2. Review Corporate Registration business processes.
3. Improve Corporate Compliance monitoring.
4. Modernize classes of registration for Gaming Service Providers.

The four options are compared through an evaluation criterion based on two streams of criteria (see page 49). The first criteria weigh the options based on the desired future state identified in the analytic framework and aligned with the gap analysis framework (page 15). This includes creating efficiencies, improving registration service delivery, improving registration decision-making quality and timeliness, and shifting focus to an operational system versus reliance on key individuals. The second set of criteria used to weigh the options are implementation related factors encompassing GPEB's ability to implement, time and effort required to implement, and the financial impacts and costs associated with implementation.

### **Option 1: Introduce a risk-based scoring tool for renewals**

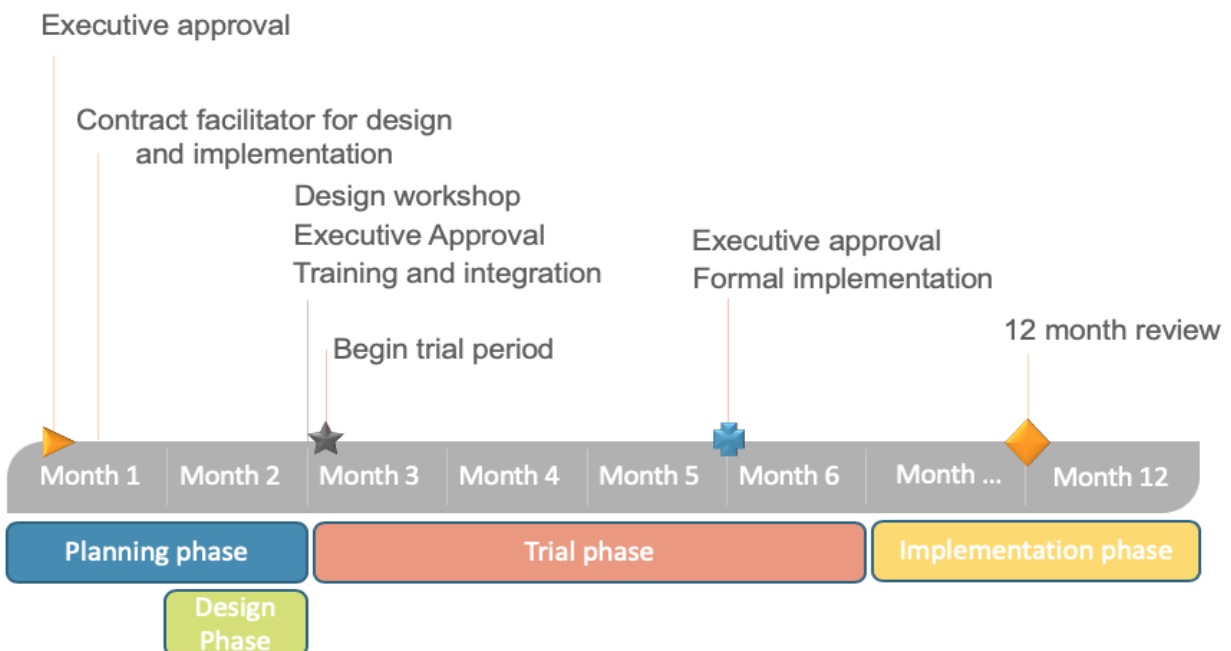
A risk-based scorecard tool would be completed using the information provided in disclosure forms to generate a quantified risk score for corporate registrants. The scorecard will be utilized during registration renewals given that new applicants are always subject to full due diligence background investigations. Assessing renewals using the scorecard can defensibly identify individuals who have had a good registration history or have little influence or impact to gaming who may not require another significant background investigation due to their ongoing display of high standards of honesty and integrity. Investigators will be able to defensibly issue registration decisions in a timelier manner for registrants with non-substantive impact or influence to gaming and with continued good regulatory standing. This strategy provides investigators with the ability to focus their energies and resources towards the riskiest applicants and registrants, while still being able to effectively process low to no risk registrants. Crucially, investigators will always have the necessary discretion to conduct a further investigation of any potentially suspicious or derogatory information in a renewal file.

Adopting this tool is not a substantive change for the program area or how investigators carry out their duties, nor is this option a full shift to a risk-based registration framework. This additional step introduces a tool utilized in numerous risk-based regulatory regimes that guides procedure and formally captures the numerous risk factors and risk mitigating factors that are presently assessed. It is essential that GPEB can do its best to capture the existing knowledge of its experienced investigators before they leave or retire from GPEB.

Adopting a risk-based scorecard will also help to manage new staff training and succession planning as new investigators are brought in and existing staff retire or leave GPEB. Introducing a scorecard that can correctly assess registrant risk is transparent and defensible if registrants inquire or challenge registration decisions. A good foundation to begin designing and implementing a scorecard lies with the risk-based scorecard the AGCO has been using since 2011. The recommended implementation plan for the design, necessary activities and implementation of a risk-based scorecard is located in Figure 3 (page 43). GPEB may also wish to formalize and implement a risk scorecard tool for the registration of gaming workers through its Personnel Registration business unit.

Figure 2 (see next page) outlines the proposed implementation plan for Option 1 from designing a risk-based scorecard, to trial, to implementation, and to review and changes as needed. The AGCO scorecard provides the implementation foundation. As an effective starting point, Corporate Investigators would participate in a workshop designed to identify and document all of the risk factors that go into a background investigation. Once this has been completed, the identified risk factors should be compared to the AGCO tool. The goal of this exercise is to make the tool customized to BC and to better reflect the experience, expertise, and risk tolerance of GPEB's Corporate Investigators. Adjustments to the scoring and thresholds will most likely need to occur in order to reflect the low to no risk tolerance in registration at GPEB.

Figure 2: Proposed implementation plan for Option 1



To manage the implementation, Corporate Registration should trial the tool for some, but not all, registrants in order to get a feel for it and identify any initial problems before a larger adoption. The trial period should be conducted to monitor its performance and effectiveness and to note and implement feedback from the investigators. There may

need to be additional tweaks to tailor the tool to GPEB, with a larger implementation occurring once any potential issues with the score card are solved. Once the scorecard has been approved by executive and implemented it should be reviewed on an annual basis. The implementation plan is broken down into four project phases: the planning phase, design phase, trial phase, and implementation phase. A more detailed implementation plan mirroring Figure 2 is found in Appendix E.

Implementing Option 1 would require a contracted resource to lead and guide the development of the risk-based scorecard. The cost of contracting a resource to lead and guide this option is estimated to be \$25,000. Figure 2 captures key points that require executive approval, in addition to executive approval of hiring a contracted resource. The other implementation consideration is the time commitment required by the Corporate Registration staff to attend the scorecard designing and tailoring workshop, which will require advance planning given potential travel schedules of Corporate Investigators and existing high workloads of all Corporate Registration staff.

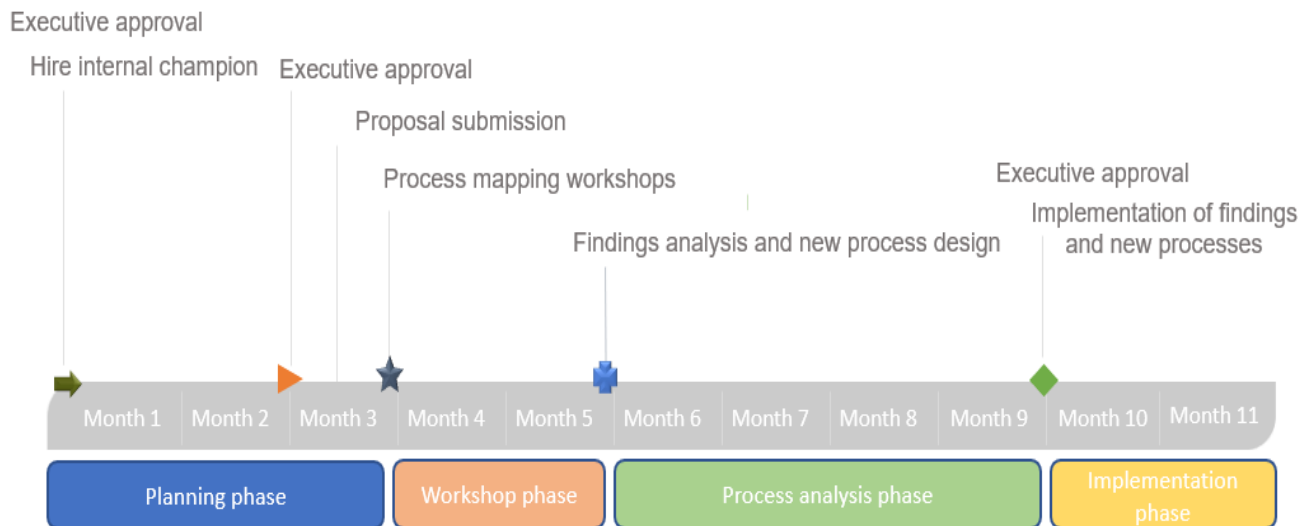
### **Option 2: Review Corporate Registration business processes**

Based on responses from the key informant interviews, challenges and gaps in the process flow through Corporate Registration creates delays, inefficiencies and increases the risks of error in documentation and filing. It is recommended that the Branch complete a full review of Corporate Registration processes and during it, Corporate Registration should focus specifically on key points of the registration process, including:

- The receipt of registration and investigation monies;
- Transmission and communication of disclosure documents between the CCU and applicants or registrants;
- Clear communication to applicants and registrants in disclosure forms regarding the need to complete disclosures in full;
- Planning of international travel given the identified approval constraints;
- The return of completed investigations materials to the CCU for documentation and filing upon conclusion; and
- Transmission of registration materials to the applicant or registrant.

For processes such as the receiving of application or registration fee renewals and background investigation fees, and receiving disclosures themselves, Corporate Registration may need to reassess from the ground up how these processes are done and contemplate switching to an online based method, which have been utilized in numerous jurisdictions. It is clear these initial stages of the Corporate Registration process have the largest impact on the timeliness and timelines of the registration process, so reviewing the full Corporate Registration cycle to address the initial registration steps would have tangible benefits to rest of the registration process.

Figure 3: Proposed implementation plan for Option 2



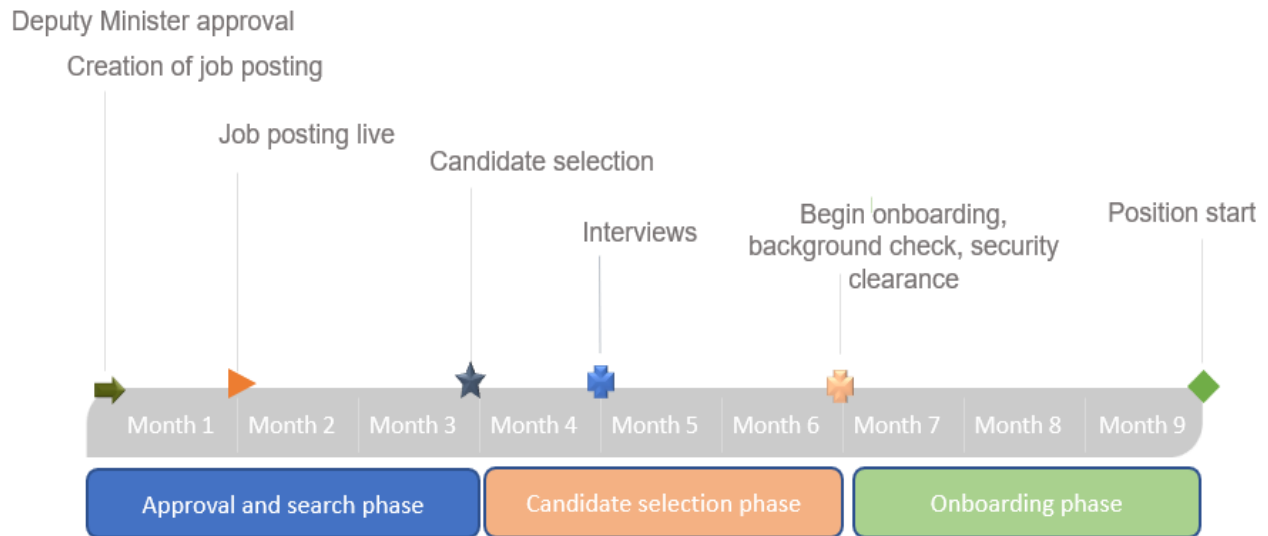
Implementing Option 2 would draw on existing government resources external to GPEB to support a process review of Corporate Registration. To secure funding, GPEB would be required to draft a formal proposal for approval. Option 2 would also require an internal champion to plan and lead the process review, which would require a partial full time equivalent (FTE) estimated to be 0.2 of an FTE. The cost of 0.2 of an FTE for option 1 is estimated to be \$15,000. Buy-in from the team is essential to have meaningful participation to map processes and brainstorm solutions, further necessitating the need for a champion.

### Option 3: Improve Corporate Compliance monitoring

Corporate Registration is experiencing a gap with its current state of corporate compliance. Important tasks that fulfill the compliance function of this group are not being completed in lieu of the resources required to maintain the intake of applications and fees, managing inquiries, corporate structure research and risk assessments, and sending out registration approvals. Additional and targeted staffing resources would be most effective to ensure that GPEB is meeting its obligations under Section 77(1) of the Act. Resources should be targeted to compliance activities in the CCU such as the collection and assessment of financial statements and issuing warnings and penalties to companies who do not provide these statements and other materials such as renewals and disclosures to the CCU in a timely manner. It was made clear that this group is central to the day-to-day operations of the Corporate Registration program area and that existing workloads and the requirements to meet registration deadlines by juggling files continues to place pressures on the staff. Financial integrity through the collection and review of financial statements is a legislated obligation under Section 77 (1) of the Act and is one avenue of the regulatory framework GPEB uses to monitor corporate compliance.

If possible, it is recommended that GPEB should specifically allocate new permanent staffing resources to principally fill the existing operational corporate compliance gap that exists in the CCU and if available, provide additional permanent staffing resources to support the existing team to manage workloads. If the CCU is able to regain a hold on its corporate compliance activities, this will have positive spillover effects into helping to ensure renewals, fees and disclosures are received in a timely manner and the smooth flow of files through the registration process.

Figure 4: Proposed implementation plan for Option 3



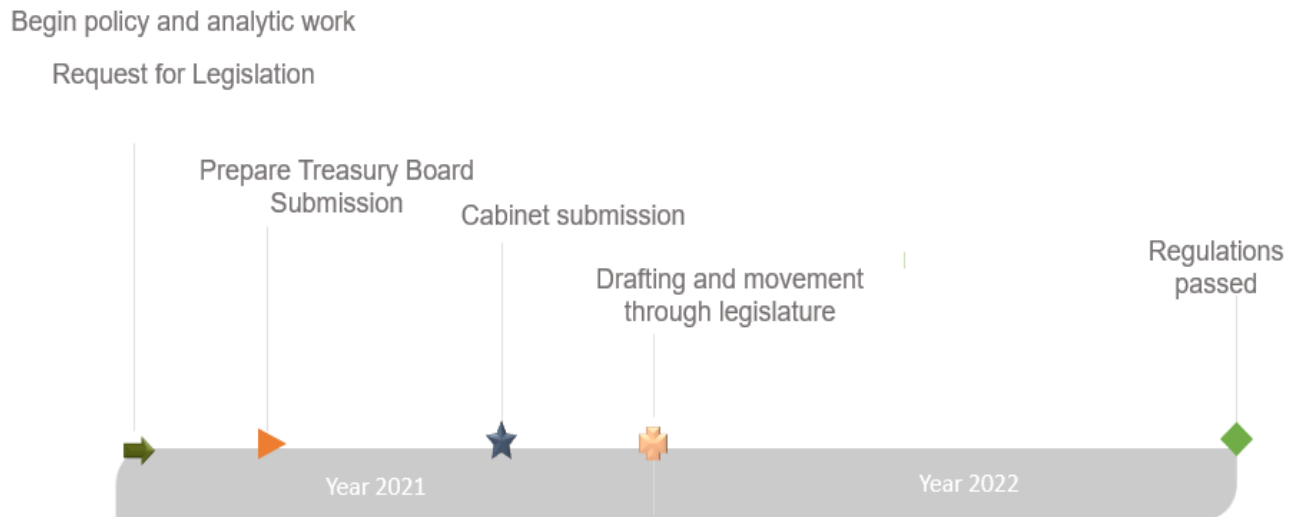
Implementing Option 3 would require the approval and hiring of an additional FTE to work in the Corporate Compliance Unit of Corporate Registration. The Deputy Attorney General would be required to approve the posting and funding for this new position. Given GPEB’s expansion of human resources to complete the necessary work for Dr. Peter German’s anti-money laundering recommendations, gaining approval for the funding of Option 3 is likely to be problematic. The estimated cost of an additional FTE for the Corporate Compliance Unit is estimated to be \$55,000 annually, plus additional compensation and benefit expenses should the position be implemented on a temporary or permanent full-time basis.

#### Option 4: Modernize classes of registration for Gaming Service Providers

As part of modernizing the regulator in accordance with the recommendations in Dr. Peter German’s report, Corporate Registration should modernize the classes of registration for Gaming Service Providers. Given the findings from both the literature and key informant interviews, Corporate Registration should focus on simplification. This would be done through reducing the number of and broadening the classes of registration to reflect the core goods and services gaming companies provide and remove specifics such as the number of games offered.

Given online gambling is not legal in many jurisdictions, few regulators have contemplated how to integrate online and internet gaming companies into their regulatory frameworks. The most logical way for this to be implemented would be to mirror the classes of registration for land-based gaming operators and suppliers. Corporate Registration should emulate this approach to further streamline the categorization process and have the online or internet gaming classes in place to contemplate current and future industry innovations and developments.

Figure 5: Proposed implementation plan for Option 4



Implementing option 4 is subject to numerous situational constraints that significantly extend the timeline to full realization. GPEB’s current priority is the work to study, analyze and implement the necessary legislation changes based on Dr. Peter German’s recommendations. Changing the necessary regulations would have to be after significant Act amendments, which are scheduled over the next 2 years, meaning regulation changes to the classes of registration must occur after legislation changes. Policy and analytical support would be required to identify the future state classes of registration and associated fees. The associated fees and would also require Treasury Board submission and approval, in addition to the passing of regulations through the political process. All the factors identified place significant strain on the feasibility of implementing option 4 in the near term and suggest that option 4 may be a priority item in the next two to three years given the current environment.

### Comparing and Assessing the Potential Options

Figure 6 (see next page) compares the four options against the criteria established based on implementation considerations in Section 9 and the desired future state in the analytic framework (see page 15). Each option has strengths for creating efficiencies, improving service delivery and registration decision timeliness.

Figure 6: Evaluation of Potential Options

		<b>Option 1: Introduce a risk-based scoring tool for renewals</b>	<b>Option 2: Review Corporate Registration business processes</b>	<b>Option 3: Improve Corporate Compliance Monitoring</b>	<b>Option 4: Modernize classes of registration for Gaming Service Providers</b>
<b>Criteria based on desired future state</b>	<b>Creation of efficiencies</b>	Yes	Yes	Yes	Yes
	<b>Improve registration service delivery</b>	Yes	Yes	Yes	No
	<b>Improves decision making timeliness</b>	Yes	Yes	Yes	No
	<b>Improves decision making quality</b>	Yes	No	No	Yes
	<b>Focuses reliance on system versus people</b>	Yes	Yes	No	Yes
<b>Criteria based on Implementation Considerations</b>	<b>Time and effort required to implement</b>	Moderate	Significant	Significant	Very Significant
	<b>Ability to implement</b>	High	High	Low	Low
	<b>Financial Impact and feasibility</b>	Mild	Mild	Significant	Significant

It is unknown whether the Branch and the LRC Division has the capacity to implement Option 3 or 4. For Option 3, there needs to be an estimate of the time and resources required to run job competitions and allocate monies to salaries. For Option 4, a similar estimate would have to be made concerning the policy resources to complete analysis and develop a Treasury Board submission. Although Options 3 and 4 are reasonable and justified based on the analysis of issues which need to be addressed, these options seem to be at a slight disadvantage when compared to Options 1 and 2. Option 3 is at a disadvantage due to the unknown ability to gain the necessary approvals and allocate salary monies required to fund the position. Option 4 is at a disadvantage given the process and time horizon, which includes a submission to Treasury Board, and navigating a lengthy political process to pass regulations into law.

Option 2 reinforces the need to undertake a full program area process review and identifies which process areas demand consideration or rethink. Option 1 fulfills all of the criteria identified, however requires moderate effort for GPEB and Corporate Registration to implement. In terms of impact and strengthening the Corporate Registration program area, Option 1 is the preferred and recommended option given the ability to meet the established criteria and plan for the longer-term future of GPEB.

Given the opportunities to strengthen Corporate Registration, it is recommended that GPEB contemplate implementing all 4 options at some point in the future. Implementing all four recommendations is suggested because each recommendation is intended to improve a specific component of the program area. However, to fulsomely strengthen the Corporate Registration program area and better prepare it for the future, requires considering the implementation of this combination of initiatives over time provides a longer term and multi-pronged approach to regulatory reform and improvement:

- Option 1 is the preferred option established through the evaluation criteria.
- It is also recommended that if GPEB should choose to pursue all four recommendations, Option 1 should likely be followed by Option 2, Option 3, and Option 4, in that order.

This order is recommended given the importance of addressing process inefficiencies, which may or may not necessitate the need to implement Option 3, depending on the result of Option 2. Option 4 is suggested as the final recommendation, given the need for GPEB to first address Act changes before the lengthy process of amending the classes of registration in the regulations can begin.

## 10. CONCLUDING REMARKS

This report set out to develop value adding and long-term planning recommendations for the LRC Division to strengthen its Corporate Registration program area.

This report investigated and documented the current state at GPEB's Corporate Registration program area and conducted a literature review and cross-jurisdictional key informant interviews with other gaming regulators to understand and compare differing approaches and smart and worst practices to the registration of gaming companies. At a high-level, the findings from this research include:

- The laws that govern gaming are often broad and place significant discretion and decision-making power with the authority issuing gaming licenses or registration.
- Gaming licensing and registration across all jurisdiction's copes with subjective and vague assessments of an applicant or registrants personal, ethical and financial suitability leading to ad hoc approaches in how registration and investigations are completed.
- Regulators worldwide have shifted to risk-based regulatory models in order to focus resources to those who are highest risk to the regulator's goals – there has been little rethink or reform for regulators in the gambling industry.
- GPEB's Corporate Registration program area has numerous strengths which should be preserved and leveraged going forward.
- Corporate Investigations are carried out effectively but follow unstructured and ad hoc approaches absent of guiding frameworks, principles or tools that are being adopted in other regulatory jurisdictions to assess risk and allocate resources more efficiently.
- The Corporate Registration process is susceptible to delay at key points which affect timeliness, workflows and overall service delivery.
- There is a gap in the fulfillment of the CCU's corporate compliance and financial integrity functions due to workloads and ongoing staffing issues.
- The classes of registration for gaming companies prescribed in the Gaming Control Regulation have become outdated, complicated, and do not contemplate the emergence of online and internet gaming.

Four options were identified to achieve the desired Corporate Registration future state outlined in the analytic framework (page 15). In an ideal state, Corporate Registration could implement all of the recommendations identified, however, a recommended option was selected based on the evaluation criterion (page 47) and implementation plan (Appendix E) developed for the client. Based on the research conducted, it is anticipated that the recommended option and its implementation will provide benefit to help the client implement organizational change and execute their vision to strengthen Corporate Registrations procedures, decision-making defensibility and transparency, and long-term sustainability of shifting investigations from reliance on individuals to reliance on an operational system. Crucially, the recommended option maintains the

investigative effectiveness and other strengths that currently exist in Corporate Registration.

To implement the other recommendations, further policy work and analysis would have to be commissioned for the implementation of Options 2 and Options 4. This project did not explore specific recommendations of the exact process and administrative changes to improve the program area process and workflow, but has provided substantive evidence and guidance should GPEB pursue a process review of Corporate Registration. The same applies to the classes of registration for gaming companies given the additional analytical and administrative work required to amend the Gaming Control Regulation in accordance with Option 4. The feasibility of option 3 was not assessed given decision-making regarding resourcing to address the existing corporate compliance gaps lies in senior leadership at GPEB and the Ministry of Attorney General. Option 3 is however strongly recommended given the legislative requirements to fulfill these obligations under Section 77(1) of the Act and the positive spillover effects to smoothening out CCU functions.

The cross jurisdictional foundation of this report also raises a larger fundamental question around the necessity to conduct background investigations on companies that already possess a registration in another Canadian jurisdiction. Although it is out of the scope of this report and would require significant investment and coordination amongst gaming regulators in each province, pursuing the creation of an inter-provincial or harmonized gaming registration system could substantively streamline the registration process for gaming companies operating in Canada.

The timing of this project coincides with significant regulatory reform as a result of Dr. Peter German's anti-money laundering recommendations. These regulatory changes represent an opportune time for the LRC Division and the rest of GPEB to contemplate regulatory changes and reform in step with the broader regulation of gaming in the province. The Corporate Registration program at GPEB fulfills a crucial role for GPEB to ensure the integrity of gaming. Regulators globally will continue to be faced with challenges of doing more with less. In light of these realities, it is important for regulators to consistently contemplate regulatory change and improvement to keep up with their respective industries. Corporate Registration and GPEB as a whole must continue to evolve and improve in step with the gaming industry.

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## APPENDIX A: INVITATION TO PARTICIPATE

To: <Corporate Registration Administrator>

Subject: Corporate Registration Study – Invitation to Participate

Dear Sir/Madame,

Myself, Dennis Betz, graduate student at the University of Victoria, invite you to participate in a research study entitled *Strengthen Corporate Registration at the Gaming Policy and Enforcement Branch*. I am required to conduct research as part of the requirements for the degree of Master of Public Administration (MPA). It is being conducted under the supervision of professor Dr. Evert Lindquist. You may contact him at 250-721-8416 or evert@uvic.ca.

I have partnered with Kim Bruce, Executive Director, Licensing, Registration and Certification Division of BC's gaming regulator, the Gaming Policy and Enforcement Branch (GPEB). GPEB's mandate is to ensure that provincial gaming is being conducted with integrity. The Corporate Registration program fulfills this role through its investigations of all companies seeking to participate in provincial gaming.

The purpose of this research project is to determine smart practices that can be used to strengthen GPEB's existing approach to corporate registration. The LRC Division is interested in gaining a better understanding of the current state and identifying smart practices in other jurisdictions that could be used to inform and improve the current corporate registration approach.

A crucial part of this research is to conduct a current state analysis of Corporate Registration at GPEB. The goal of this interview is to understand your perspectives, processes, lessons learned, setbacks, challenges, and potential needs or gaps in GPEB's corporate registration. You have been identified as a key stakeholder from which to learn.

To this end, I would greatly appreciate your participation in an in-person interview that I will be conducting for this research project. The interview is estimated to take between 45 minutes and can be scheduled at your convenience. Participation is completely voluntary, and you may withdraw at any time by contacting me, the researcher.

If you would be willing to participate, please reply to this email to schedule a date and time. The estimated time frame for interviews is **March 1 to 15, 2019**.

The following steps will be taken to ensure voluntariness of your participation and minimize any undue influences, coercion or potential harms:

- The interview questions are designed to be open-ended in nature, providing complete discretion as to how the interviewee would like to formulate answers.

- Participants will have the opportunity to review the questions prior to the interview date.
- Participants may decline to answer any question during the interview.

Participants will be required to sign and return a written consent form prior to the interview date. The consent form will provide further information on the withdrawal procedures. **The consent form and a copy of the interview questions will be provided to all participants in a confirmation email.**

This research project is considered “minimal risk research” as defined by the Tri-Council Policy, in that participants should reasonably expect no greater harms or risks than those encountered in their everyday life as it relates to this research. Anonymity and confidentiality of your participation will be protected by the researcher to the fullest extent possible. As this component of the research project focuses specifically on GPEB, the researcher cannot provide organizational anonymity. However, **the individual participant names will not be identified in the study and only the researcher will be able to associate interview responses with individual participants.**

Your confidentiality and the confidentiality of the data will be protected by using password-protected files and kept on a password-protected computer. Only the researcher will have access during all stages of research. Codes will be assigned to participants and a coding sheet that links the code to your identifying information will be stored separately in a secure location. All interview data will be disposed of at the end of the project (no later than September 31, 2019). Electronic files will be deleted, and paper will be shredded. The researcher will take all necessary measures and precautions; however, it should be noted that your confidentiality cannot be completely guaranteed due to the focused nature of understanding the current state of Corporate Registration at GPEB.

It is anticipated that the results of this study will be shared during the researchers’ project defence of the final report. Individuals attending the defence will include the client, academic supervisor, two other faculty members (to be named) and any individuals from the community who wish to attend and observe. A copy of the final report will be available all interview participants upon request. Additionally, the final report will be published on the “UVicSpace” website, which is available for public access.

I would be very grateful for your voluntary participation and contribution to this research project.

If you have any questions about your rights as a research participant, please contact the University of Victoria Human Research Ethics Board (250-472-4362) or [ethics@uvic.ca](mailto:ethics@uvic.ca).

Thank you for your time and consideration.

Sincerely,

Dennis Betz

dbetz@uvic.ca (250-216-8970)

For more information about the Gaming Policy and Enforcement Branch, please visit  
<https://www2.gov.bc.ca/gov/content/sports-culture/gambling-fundraising>

## APPENDIX B: PARTICIPATION CONSENT FORM

You are invited to participate in a study entitled *Strengthening Corporate Registration at the Gaming Policy and Enforcement Branch* that is being conducted by Dennis Betz. Dennis Betz is a graduate student in the School of Public Administration at the University of Victoria. You may contact Dennis if you have further questions by email at [dbetz@uvic.ca](mailto:dbetz@uvic.ca).

I am required to conduct research as part of the requirements for the degree of Master of Public Administration. It is being conducted under the supervision of professor Dr. Evert Lindquist. You may contact him at 250-721-8416 or [evert@uvic.ca](mailto:evert@uvic.ca).

### **Purpose and Objectives**

The objective of this research project is to identify best practice recommendations to strengthen The Gaming Policy and Enforcement Branch's current approach to Corporate Registration. This project is being completed for the client, Kim Bruce, Executive Director Licensing, Registration and Certification Division, Gaming Policy and Enforcement Branch.

Specifically, this project aims to:

- Provide an overview of the literature on licensing and registration in regulated industries such as gaming, liquor and cannabis.
- Obtain qualitative data from interviews on the current state of the Gaming Policy and Enforcement Branch's (GPEB) approach to Corporate Registration, including processes, challenges, setbacks, strengths and potential needs or gaps.
- Obtain qualitative data from document analysis and interviews with corporate registration experts in other jurisdictions to understand their respective jurisdictions experiences, processes, lessons learned, setbacks, challenges and outcomes.
- Analyze the practices, ideas and themes that emerge from the data
- Disseminate the findings and provide recommendations to GPEB on best practices to strengthen corporate registration.

### **Importance of this Research**

Research of this type is important because it will be used to inform how GPEB can strengthen its approach to corporate registration at a time when maintaining integrity in the BC's gambling industry is integral and regulatory effectiveness of GPEB is paramount.

You have been invited to participate in this study because you possess valuable knowledge and experience in the field.

### **What is Involved**

If you consent to voluntarily participate in this research, your participation will include an in-person interview estimated to take 45 minutes - 1 hour. Interview questions will be provided via email prior to the interview to allow you to prepare as you see fit.

### **Inconvenience**

Participation in this study may cause inconvenience in the form of time spent in the interview during your workday.

### **Risks**

There are no known or anticipated risks to you by participating in this research.

### **Benefits**

The potential benefits of your participation in this research include:

- The opportunity for purposeful reflection on program goals and outcomes to inform sense of purpose and increase awareness.
- The opportunity to make a further contribution to the shared goal of maintaining the social reputation of regulated gaming and contributing to the overall state of knowledge on program design and delivery of registration and licensing of gaming companies.
- The opportunity for your feedback and to be addressed through recommendations
- Access to this report and its findings upon completion.

### **Voluntary Participation**

Your participation in this research must be completely voluntary. If you do decide to participate, you may withdraw at any time without any consequences or any explanation. If you decline to participate there will be no impact to your employment or professional reputation. If you do withdraw from the study your data will not be used and will be destroyed.

### **Anonymity**

To protect your anonymity and address the inability to provide anonymity to your organizational unit, individual participant names will not be identified in the study and only the researcher will be able to associate interview response with individual participants.

### **Confidentiality**

Your confidentiality and the confidentiality of the data will be protected through the use of password-protected files kept on a password-protected computer. This computer can only be accessed by the researcher. Codes will be assigned to participants and a coding sheet that links the code to your identifying information will be stored separately in a secure location. All interview data will be disposed of at the end of the project (no

later than September 31, 2019). Electronic files will be deleted, and paper will be shredded.

### **Dissemination of Results**

It is anticipated that the results of this study will be shared with others in the following ways:

- Oral defence with participation including the client, academic supervisor, two other faculty members (to be named) and any individuals from the community who wish to attend and observe.
- Dissertation/Report shared with GPEB and research participants upon request.
- Internet (posted on “UVicSpace” which can be accessed by the public).

### **Contacts**

Individuals that may be contacted during this study include the researcher Dennis Betz, or academic supervisor Dr. Evert Lindquist (please see contact information above).

In addition, you may verify the ethical approval of this study, or raise concerns you may have, by contacting The University of Victoria Human Research Ethics Office (250-472-4362) or [ethics@uvic.ca](mailto:ethics@uvic.ca).

Your signature below indicates that you understand the above conditions of participation in this research, that you have had the opportunity to have your questions answered by the researcher, and that you consent to participate in this research project

\_\_\_\_\_ Name of Participant (please print)

\_\_\_\_\_ Signature of Participant

\_\_\_\_\_ Date

***A copy of this consent will be left with you, and a copy will be retained by the researcher.***

## APPENDIX C: KEY INFORMANT INTERVIEW QUESTIONS

### **Interview Questions – GPEB CREG Corporate Compliance individual interviews and focus groups**

1. How do you define risk?
2. What role do you play in assessing the risk of applicants?
3. How do you classify a company? What happens if there is difficulty in classifying a new company that does not fit the existing classes? What would be your suggested classification changes that reflect your workload?
4. Is there ever any issues receiving fees from applicants? Have there been instances where work has been done but applicants withdraw and do not pay Corporate Registration?
5. What are the strengths of your approach to corporate compliance?
6. What are the challenges you have faced in carrying out your work?
7. What is the biggest problem with applicants and disclosures? Are there any issues in the completeness of disclosures?
8. What could be done to address these challenges or gaps?
9. Is the 5-year review period still relevant? Should it be shorter or longer?

### **Interview Questions – GPEB CREG and other jurisdiction Investigators individual interviews and focus groups**

1. How do you define risk?
2. Could you describe your risks-based model? (policies, tools etc.)
3. What is the criteria of the risks-based model? Who is involved in the process from your organization? (Decision-makers on risk level)
4. Are all companies scrutinized to the same degree or is there less examination of companies with little impact to gaming? – what determines the depth of the investigation?
5. Do you use consistent approaches in your investigations? Similar methods of interviews, financial assessments, report formatting?
6. What do you view as the current strengths to how your unit conducts corporate investigations?
7. In your view, have you identified any gaps in how investigations are conducted?
8. What are some challenges or problems to your work that could be addressed?
9. How do you handle uncooperative or problematic applicants?
10. Are there issues with applicants in the completion of their disclosure forms or provision of relevant documents?
11. Are there any issues with obtaining the necessary information from external agencies?
12. What are some of the challenges or complaints from an applicant's perspective?
13. What challenges had you faced with corporate registration in the past? How did you overcome those challenges?

14. Are there plans to change or implement new policies/rules/procedures/strategies to your corporate registration approach?
15. How do you determine if companies even need registration?
16. How do you classify the different types of gaming companies?
17. What is the threshold of determining if an individual (executive, shareholder, transaction, etc.) must be cleared by your team? (5% ownership or influence)
18. How do companies communicate with you when a company has a new executive or shareholder? Have there been issues in service providers keeping the regulator up to date? Could this be solved?
19. Have you had a review of Corporate Registration? Could you share any findings or recommendations if so?

## APPENDIX D: REQUEST FOR DOCUMENTS

To: <Corporate Registration Administrator>

Re: Request for documentation

Dear Sir/Madame,

Thank you for your participation in this research project for the Corporate Registration program of the Gaming Policy and Enforcement Branch (GPEB) and to fulfill the research requirement for the degree of Master of Public Administration (MPA).

The purpose of this research project is to determine best practices that can be used to strengthen GPEB's existing approach to corporate registration. The LRC Division is interested in gaining a better understanding of the current state and identifying best practices in other jurisdictions that could be used to inform and improve the current corporate registration approach.

A crucial part of this research is to conduct a jurisdictional scan to understand how other gaming regulators in Canada approach corporate registration. The goal of this scan is to understand your perspectives, processes, lessons learned, setbacks, challenges, and outcomes in the field of corporate registration. You have been identified as a key stakeholder from which to learn.

In addition to the main research component, expert interviews, the other principal method this project seeks to utilize is a document analysis. To that end, myself, the researcher, is requesting any documentation or materials you have available and utilize. This includes copies of documents and materials such as policies, procedures, rules that are used to aid how your corporate registration program conducts its work.

It must be stressed that these documents and materials are provided **in confidence**, that **they will only be used by the researcher to inform this projects research and subsequent recommendations and will be destroyed upon project completion** (September 2019 at the latest). As part of your informed consent for participation, you may also decline to provide any materials without reason or explanation to the researcher.

To that end, any materials you are able to provide are greatly appreciated by the researcher and will help to inform substantive recommendations at the end of the research project.

Thank you for your time and consideration.

Sincerely,

Dennis Betz

dbetz@uvic.ca (250-216-8970)

For more information about the Gaming Policy and Enforcement Branch, please visit  
<https://www2.gov.bc.ca/gov/content/sports-culture/gambling-fundraising>

## APPENDIX E: PROPOSED IMPLEMENTATION PLAN

Proposed Implementation plan and timeline for Option 1

Initiative	Description of initiative	Implementation timeline
<b>Planning Phase</b>		
Executive Approval	1) for the implementation of the risk-based scorecard and change to the Corporate Registration process  2) Approval for a contractor to facilitate design and implementation of the scorecard	Month 1
Contract a facilitator for design and implementation	LRC Division posts for a contractor position	Month 1-2
<b>Design Phase</b>		
Risk identification and tool creation workshop	Contractor will engage Corporate Registration in a workshop beginning with assessing the existing Ontario Risk Scorecard aligning with the <i>Gaming Control Act</i> and Gaming Control Regulation	Month 2
Executive Approval	Draft scorecard	Month 2
Investigator training and workflow integration	Training workshop for Corporate Registration staff by the Contractor	Month 2
<b>Trial Phase</b>		
Trial period	1) Investigators trial the scorecard and document feedback informing revision  2) Contractor revises the scorecard as needed	Month 3 - 6
Executive Approval	Final scorecard	Month 6
<b>Implementation Phase</b>		
Implementation	Formal implementation and full integration into Corporate Registration workflow	Month 6
Post-implementation reviews	The scorecard, its implementation and function should be subject to ongoing assessment to ensure effectiveness  Post-implementation reviews to be completed in ongoing 3-month phases	Month 12  Annual review thereafter