

A Game of Trust **Backgrounder – Regulating Ontario's lotteries**

The Ombudsman's recommendation that an outside body regulate the lottery business in Ontario has been accepted by the government and the OLG. At present, the OLG must oversee and discipline its retailers while being dependent on them for its profits. An independent regulator would remove this inherent conflict and better protect the public.

Unlike Ontario, many other jurisdictions conduct criminal background checks on retailers when they apply for lottery terminals. In both Manitoba and Alberta, retailer contracts can be terminated if the retailers or their employees are involved in crime or gambling-related offences. Ireland has a similar regime. As well, in 16 of the 17 U.S. state lottery systems reviewed by the Ombudsman's office, retailers are screened through criminal record checks – and usually credit checks. Australia and New Zealand lotteries also pre-screen retail applicants. British Columbia is now implementing a system of registration for all lottery retailers, as well as subjecting them to background checks.

In Ontario, the Alcohol and Gaming Commission regulates the gaming operations of the OLG (casinos, racetrack slots, etc.) – but not its lotteries. However, it does regulate lottery licences issued to religious and charitable organizations, and anyone wishing to sell tickets under such a licence must register with the Commission and undergo a criminal and credit background check. The Commission has the power to refuse to register gaming suppliers and vendors who have a record of unsuitable conduct and to freeze assets where warranted. Registrants are subject to investigation, and the Commission has an adjudicative function to resolve disputed registration refusals.

It will be up to the government to decide whether the responsibility for regulating Ontario lotteries should fall to the existing Commission, another body or an entirely new entity.

Whatever form it takes, the Ombudsman recommends that this body:

- ensure rules and terms of the lottery system (e.g., “insider” and “affiliated” as they relate to retail staff and their families) are clearly defined and enforced;
- register and pre-screen retailers through criminal record and background checks;
- establish and enforce a code of conduct for retailers, the breach of which would result in the termination of registration and the retailer's OLG contract;
- conduct regular random “mystery shopper” trials to test retailers' integrity;
- administer Insider Win procedures and a process for unclaimed prizes (e.g., large unclaimed prizes and jackpots claimed by insiders could be advertised for a prescribed period of time to allow any other claimants to come forward); and
- establish a process for investigation and adjudication of suspicious claims.