

Isle of Man
Gambling Supervision Commission



Annual Report

2013 – 2014

GD 2014/0063



Peel Castle

Photographs kindly supplied by:

Mr Ron Strathdee – www.digitalmanphotography.com

Mr Ciaran Broad – www.iomttphotos.co.uk

Mr Scott Young (Gaming Inspector)

Department of Economic Development

Office Address: Ground Floor
St. George's Court
Myrtle Street
Douglas
Isle of Man
IM1 1ED

Telephone Number: +44 (0)1624 694331

Facsimile Number: +44 (0)1624 694344

E-mail: gaming@gov.im

Website: www.gov.im/gambling



St. George's Court

Contents

Chairperson’s Statement.....	6
Chief Executive’s Statement	8
Responsibilities	10
The Commission	12
Senior Management Team	14
The Inspectorate	16
The Secretariat	18
Key Strengths.....	19
Regulatory Safeguards	21
Who We Regulate	23
Our Accounts.....	31
Future Plans	32
Our Annual Plan.....	33
Key Performance Indicators	34
Gambling Legislation	35

Chairperson's Statement

As I sit here and recall how keenly and closely we have watched the changes in the adjacent Isle for the last two years, it is hard to credit that we now sit on the very eve of the change which replaces white-listing with a European-style licensing and taxation regime. However this bridge between the past and the future offers an excellent perspective on the broader global themes that the UK's transition represents.

Looking first to the past, the theme is a familiar one: entrepreneurs identifying demand and setting up businesses to satisfy the demand. Next, investors appear consolidating the business. Then come the difficulties as the industry grows and the unintended effects it has upon society become understood. Finally comes regulation and as that regulation finds the correct balance between social and economic pressures, the industry matures. This particularly sums up the last decade in internet gaming which has seen the emergence, from practically nothing, of an international, billion-dollar, cross-border industry with a keen sense of opportunity and a sharp eye for the advantages innovation and technology can offer.

Looking then to the future, it is possible to speculate on what it holds for industry and regulator alike. Technology is advancing at an incredible pace and innovation spans not only hardware and software but also fundamental social concepts and ways of thinking. One need only look at the phenomenon of crowd-funding and crypto-currency to see how quickly new ideas can take root and blossom. Alas it is a regulator's lot to be dragged along on the coat-tails of such rapid change whilst trying to frame law that curbs harm and allows continued growth – not an easy task, despite the increasingly cooperative and open tone between the regulators of all countries.

Which brings me to my most important task:

As the Isle of Man announces its acceptance of crypto-currencies and outlines its roadmap to make sure the technology matures in a safe and productive way, I would like to express my gratitude, and the gratitude of the Board, to my Chief Executive Steve Brennan and his team in the inspectorate who have worked tirelessly this year to synthesise a wide variety of complex issues to their salient facts. They continue to assess risk in a conservative but

pragmatic way and by so doing allow the Isle of Man to attract very positive interest from burgeoning new businesses and establish new partnerships with both Government and the private sector. As ever their professional approach and openness to new ideas continues to be a major asset to the Isle of Man's e-business proposition.

With those thanks, I am pleased to present this, our annual report for 2013-14.

Ron Spencer

Chairperson



Port Erin Beach

Chief Executive's Statement

2013-14 has been a strong, but challenging year for the Gambling Supervision Commission. I mentioned at the start of my statement in last year's Annual Report that the Isle of Man gambling sector was at the beginning of a period of transition in particular with regard to the online gambling sector. That transition has continued apace over the past 12 months with regard to both domestic and international perspectives. Regulation of online gambling continues to gain traction at a strategic level on the political agendas internationally with some jurisdictions enacting relevant legislation and others either progressing legislation or developing their relevant policy positions.

The Gambling Supervision Commission continues to play a role in the international environment to help shape debates covering the key objectives of fairness, consumer protection and the fight against criminality in gambling. We have been sought out by fellow regulators from around the world seeking to better understand the online gambling environment from a regulatory perspective. In addition, membership of the International Association of Regulators Authorities (IAGR) and the Gambling Regulators European Forum (GREF) has ensured, and continues to ensure that Isle of Man interests are best represented at a supra regulatory level.

Changes on an international level that will directly impact the Isle of Man remain ongoing with the United Kingdom moving ever closer to introducing legislation that will remove the Island's white listed status in October 2014. The European Union expert group on gambling services continues to develop policies it expects Member States to adopt into their own regulatory frameworks. We recognise that change is inevitable and consider open and constructive dialogue, rather than confrontation, as the more positive approach to support our licensees.

At a national level the Gambling Supervision Commission continues to amend and update its regulatory framework to reflect international norms and best practice as well as actively removing unnecessary or obsolete clauses. The introduction of the Bribery Act 2013 and the impending implementation of the fourth Money Laundering Directive illustrates some of the

additional obligations that any business has to adhere to, or plan for. The Gambling Supervision Commission is very aware that meeting regulatory and legal obligations often comes at a business cost. As a result we have embarked on initiatives working alongside our licensees and other regulatory bodies to establish agreements and develop acceptable protocols that both meet the necessary obligations while minimising the impact on business. As this reporting year end approaches, two such initiatives are in the final phases of approval and should provide tangible benefits to GSC licensees while at the same time providing off-Island regulatory authorities the assurances they need.

As one year ends so another one begins. I fully expect the coming year to be dominated by the removal of the island's white listed status and the inception of dual licensing of Isle of Man licensees with the United Kingdom. While such an alliance will bring some uncertainty as both authorities continue to grow closer and refine their procedures , I do believe it will be the dawning of a new era of regulation as we slowly move away from a jurisdictional approach and towards a more international and cooperative approach to licensing and supervision.

In closing I would like to thank my Board of Commissioners and the staff of the Gambling Supervision Commission for all the work and effort they have put in over the last twelve months.

Steve Brennan
Chief Executive

Responsibilities

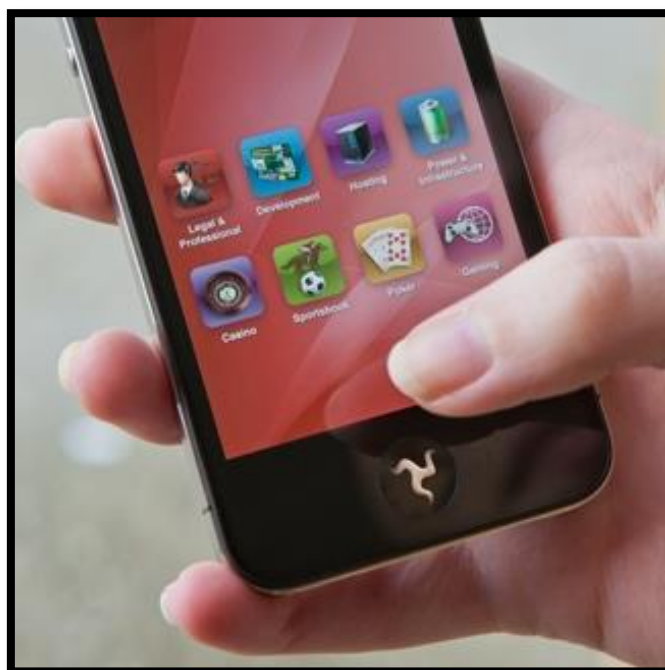
The Isle of Man Gambling Supervision Commission has three core principles. They are:-

1. Ensuring that gambling is conducted in a fair and open way.
2. Protecting children and other vulnerable persons from being harmed or exploited by gambling.
3. Preventing gambling from being a source of crime or disorder, or being used to support crime.

And where these key principles are not compromised:-

- Ensuring that gambling products promoted by operators in the Island can compete effectively throughout the world.
- Facilitating competition and the provision of modern products and services.

The three key principles are protected through a combination of rigorous checks on operators at the application stage; a thorough, on-going inspection regime for licensees and a complaints and queries procedure which is designed to identify patterns that could highlight issues before they become problems.



Licence Application

When operators apply for a licence, the Commission conducts checks and due diligence on all activities of an operator's business, including:-

- Procedures for handling problem gamblers;
- Anti-money laundering procedures;
- Arrangements for the protection of player funds;
- The integrity of the people and companies connected with the application;
- The beneficial ownership of the company;
- The sources of wealth used to fund the company;
- The financial health and projections of the operation;
- The corporate governance of the company and fitness of its procedures;
- Details of the games and their terms and conditions;
- The fairness of the games;
- The transparency of terms and conditions;
- The standards of protection for personal data;
- The look and feel of the websites;
- The robustness of the infrastructure;
- The player registration process;
- The money flow around the systems;
- The suitability of the business model.

Post Licence Compliance

The inspectorate's involvement with an applicant does not cease after licensing; if anything, it increases as the new licensee becomes subject to the inspection regime. This inspection regime includes:-

- Interim reviews for all operators;
- Quarterly returns to report on the financial performances of the operators;
- Regular visits to operators to comprehensively verify their activities;
- Ongoing website checks and pre-programmed inspections on remote assets;
- Complaints handling.

The Commission



Ron Spencer

Ron Spencer is the Chairperson for the Isle of Man Gambling Supervision Commission. Mr Spencer was first appointed to the Commission in 2005 and took up the role as Chairperson in September 2012.

Now retired, Mr Spencer was formerly Director of Merrill Lynch Investment Managers (formerly Mercury Asset Management Ltd) in the Isle of Man and a former Chair of the Chartered Management Institute. Mr Spencer completed the Institute of Directors Company Direction Programme in December 2002, and successfully sat the Diploma examination in April 2003. Following peer review, he was admitted as a Chartered Director in May 2004. He is a member of the Audit Committee Institute; the Chartered Management Institute; the Institute of Directors and is also a member of the Chartered Institute for Securities & Investment.

Jerry Carter

Jerry Carter is the Deputy Chairperson for the Isle of Man Gambling Supervision Commission.

Mr Carter has been a qualified Manx Advocate since 1984 with areas of expertise in Licensing Law, Fraud, Criminal and Commercial Law. Mr Carter is the current Chairman of the Public Sector Pensions Authority and a former member of the Isle of Man Law Society Council.





Jon Allen

Jon Allen is a Chartered Accountant and successful local entrepreneur. Mr Allen came to the island for 2 weeks in 1988 when the bank he worked for bought a small insurance company that is now Royal Skandia and has never left. In the early 90's he co-founded PDMS, an Island based Software Company which has around 50 employees in Douglas and London. Before joining the Commission, Mr Allen was Managing Director of Domicilium which he co-founded with Dr Phil Adcock in 1999. Domicilium is an Island based internet hosting company. From the outset Mr Allen has worked in partnership with the Isle of Man Government to establish an e-gaming sector and promote

the Island worldwide. Mr Allen has been a frequent speaker at e-commerce conferences and has active roles with the Chamber of Commerce and public / private sector committees. In recent years he has also established Live and Work Hotels which owns two hotels located on the Isle of Man and an LED lighting import business.

Neil Kinrade

Neil Kinrade was born and educated on the Island and served for 33 years in the Isle of Man Constabulary, rising through the ranks to the position of Deputy Chief Constable, before retiring in 2004. During his career in the police service, Mr Kinrade specialised in criminal investigations including illicit drugs and anti-terrorism.

For a number of years Mr Kinrade held responsibility for internal force discipline, complaints and standards, as well as the financial budget for all police operations in the Island. Mr Kinrade also sat on the All Island Child Protection Committee; the Drugs and Alcohol Strategy Committee and the Children and Young Persons Strategy Committee. Mr Kinrade has served on the Commission since 2005.





Howard Callow

Howard Callow was born on the Isle of Man and after attending King William's College he went on to obtain a degree in Economic and Social History at the University of Birmingham. He spent over 30 years working in the Fiduciary and Corporate Services sector, mainly in the Isle of Man but with a 5 year spell in the Cayman Islands. His most recent position prior to his appointment to the Commission in 2011 was Managing Director of HSBC Trustee (Isle of Man) Limited and he previously held senior posts with Bank of Bermuda's operations on the Island.

Mr Callow became a Chartered Director in 2005 and was involved in the Institute of Directors' Isle of Man Branch for many years, having served as its Secretary and Chairman. During his career he has also been a member of the Society of Trust & Estate Practitioners, the Institute of Management and the Audit Committee Institute. He is the Secretary and Vice President of the Rotary Club of Douglas.

Senior Management Team

Steve Brennan Chief Executive Officer

Steve Brennan has been the Chief Executive (formerly Director) of the Isle of Man Gambling Supervision Commission since June 2008. The Gambling Supervision Commission was initially established in 1962 and consists of an independent panel headed by a Chairman and four members. Steve's primary responsibility within the Commission is for the development and maintenance of the regulatory framework to licence and supervise all forms of gambling in the Island. Prior to his appointment as CEO, Steve held senior positions within Isle of Man Treasury.





Mark Rutherford Deputy Chief Executive

Mark Rutherford is the Deputy Chief Executive of the Isle of Man Gambling Supervision Commission and carries the responsibility for ensuring that the Isle of Man's gambling legislation remains fit for purpose and for ensuring that the inspectorate's policy is properly aligned with the law.

Prior to working for the GSC, Mark spent twelve years with the Isle of Man Civil Service working variously as an assessing officer, business analyst and operational manager.

Ty Smith Director – Licensing & Compliance

Ty joined the Commission in February 2010 bringing with him 12 years' worth of experience in compliance and management.

As Director of Licensing and Compliance, Ty is responsible for providing strategic management of regulatory affairs and compliance functions, and for directing licensing plans, regulatory policies, procedures and internal controls as a member of the Senior Management Team.

Ty holds Chartered Manager status with the Chartered Management Institute.



The Inspectorate

The Inspectors are responsible for:

- The Commission's on-going compliance regime, ensuring that Manx gambling operations adhere to legislative requirements.
- Undertaking a rigorous screening process of applications from prospective operators.
- Implementing the Commission's complaints and queries procedures.
- Participating in projects which contribute to the efficiency and quality of the GSC.
- Ensuring that stakeholders receive a professional, accurate and efficient service.



Nick Wright

Scott Young

Rheuben Thomas

Stephen White

Kimberley Broad

Suzanne Shaw

Stephen White joined the Commission in 1999. Steve's industry expertise originates from his previous experience in bookmaking and as a professional jockey.

Nick Wright joined the Commission in 2013 coming from a compliance background primarily in Income Tax Investigations and Enforcement. Nick is a fully qualified Mortgage Advisor and former Offshore Credit Underwriter and holds the Advanced CeMAP qualification.

Kimberley Broad joined the Commission in 2011, bringing with her 5 years' experience in compliance. She is the Senior Inspector at the GSC, with her role focusing upon the licensing and compliance of operators. Kimberley is also responsible for overseeing the work of the Inspectorate. She holds a BA (Hons) in Business Management and Associate level status with the Chartered Management Institute.

Scott Young joined the Commission in 2014, bringing with him 7 years of experience in the eGaming industry. Having previously worked in an environment focused on US pari-mutuel wagering which included compliance and regulatory liaison. In his previous role as an eGaming Operations Manager, Scott also gained extensive experience in staff management, front line support as well as website and backend controls.

Suzanne Shaw joined the Commission in 2013, bringing with her 12 years of experience in compliance from the pharmaceutical industry. She spent 7 years working within the biopharmaceutical sector where she gained extensive knowledge of quality control, quality assurance and internal audit. Following that she moved into regulatory affairs where she was responsible for the life-cycle management of medicinal products to ensure compliance with European legislation.

Rheuben Thomas joined the Commission in early 2013 coming from a background in enforcement and prosecution. He spent over 10 years with the Inspectorate of the former DHSS which held responsibility for the identification and investigation of benefit fraud and the collection and enforcement, of National Insurance contributions. Following a move to Treasury Rheuben was responsible for the preparation and presentation at court of Income Tax matters.

The Secretariat



Wendy Christian joined the Gambling Supervision Commission as Senior Secretary in 1992 with responsibility for providing secretarial and administrative support to the Commission and its Inspectorate.

Tracey Turton joined the Gambling Supervision Commission as a Secretary in April 2008 with responsibility for providing secretarial and administrative support to the Commission and its Inspectorate.

Key Strengths

With over 50 years' experience of regulating the land based industry and a decade of experience in the fast-moving world of online gaming, the Island's regulatory strengths have never been more important to the gaming industry.

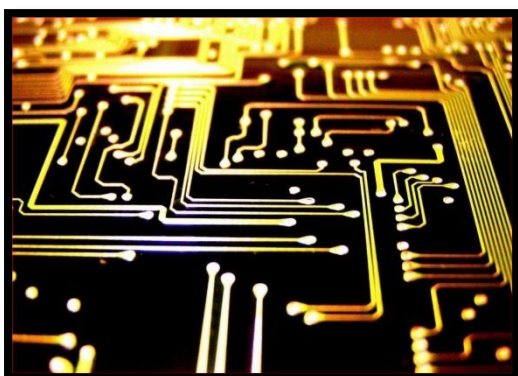
Fixed Fees

Application fees remain a single, fixed charge irrespective of the length or complexity of the process. Aside from the mandatory Problem Gambling levy operated by the Isle of Man and inspection costs for live dealing studios, the fees for sub-licences (£5,000 pa), full licences (£35,000 pa) and the new network services licences (£50,000 pa plus £5,000 per partner, one year in arrears) are the only regulatory costs associated with licensing in the Isle of Man.



Power and IT infrastructure

Operators on the Isle of Man have the surety of very high speed, high resilience internet connectivity with the rest of the world which is currently carrying less than one percent of its entire capacity coupled with plentiful power from the Island's modern 88MW power station.



Analysis by the Island's Department of Economic Development shows that the Island has continually achieved the lowest-priced bandwidth of any of the Island-based regulatory jurisdictions, a distinction that underlines the Island's commitment to future technology.

A track record of international cooperation

The Island continues to work hard to build constructive, pragmatic and globally responsible attitudes and systems in response to international challenges. 2013/14 saw the continuation of the Isle of Man's approach to international cooperation with the offer to establish bilateral agreements with any country seeking to properly regulate its gambling sector and secure its borders against unlicensed activity. Such an agreement is now in force with the regulators in Denmark, Estonia, Malta and the UK with additional agreements expected to be finalised with other jurisdictions in the near future.

Regular attendance of the GREF (Gaming Regulators European Forum) and its international equivalent (IAGR) remains a cornerstone of the GSC's international commitment and the GSC cooperates on a number of working groups designed to strengthen ties and share learning between countries.

A mature ancillary cluster

The Isle of Man clarified its policy on gambling activities that were not required to obtain a licence in January 2010 when it created its Online Gambling Exclusion Regulations.

Since that time, the Island has attracted a substantial amount of industry support (payment solutions, software development and support and specialist consultancy etc) which makes the Isle of Man an attractive platform for licensed operators.

A proven track record of protection

It is a matter of regulatory pride that in all cases, not one single player had cause to complain that they were unable to withdraw their deposits upon request as a result of company cessations or unforeseen occurrences.

The protection that is afforded to those players who register and deposit with Isle of Man licensees is unique; licence holders must allocate a separate bank account (either a client account or an account held by a trust) with which to keep safe player deposits and winnings prior to withdrawal. In the event of the actions of a liquidator, those funds are recognised to belong to players and are refunded rather than being added in to the liquidator's pool of assets.

Regulatory Safeguards

Rigorous checks at the application stage as well as a strong inspection and compliance regime ensure that operators understand and adhere to the law, but it is also important that the law by which they abide is strong and exacting. The Isle of Man has a number of requirements, some of which are shared by the majority of reputable jurisdictions and some of which are unique (such as player funds protected by legal financial instruments and mandatory operator contributions to a problem gambling fund), all of which serve to make the Island's regulation robust and well respected.

Local officials

By law, Manx operators are required to maintain a local, official presence by the appointment of a resident Designated Official or Operations Manager. Experience has shown that face to face dialogue is far more efficient, reliable and effective than phone calls or e-mails when there is an issue or request. The Commission keeps in regular contact with Isle of Man based officials to ensure that local or international issues are detected and handled professionally by all licensees. In addition, the requirement to involve at least two local Directors in the company, most of whom have other connections with business in the jurisdiction adds an additional layer of oversight on the activities of the licensee.

Expert testing

In order to stay ahead of the fast-paced developments in software and systems, the Isle of Man uses the services of dedicated software testing houses to perform verification checks on all applicants' software and games, including the randomness of all games of chance. In all cases, the test certificates have to confirm that the operators' systems adhere to the stringent system verification and registration of accounts regulations.



Financial District

Appropriate separation

In line with internationally accepted best practice, the Gambling Supervision Commission is a Statutory Board and maintains its independence from Government through the appointment of five Commissioners, presently drawn from the professions such as the police force and from local enterprise.

Furthermore, the marketing function for the Isle of Man's gambling sector is conducted by a dedicated Government body (the Department of Economic Development - DED) and while the Gambling Supervision Commission works closely with prospective applicants to ensure they are prepared for the regulatory environment, their independence is not compromised by the work of attracting business to the Island which is exclusively the preserve of the DED.

Meaningful protection of players' funds

Manx operators must protect player funds to the point where, in the event they become insolvent or are prevented from trading in any other way, any deposits and outstanding winnings are protected, irrespective of subsequent events. This is currently facilitated through bank guarantees, trust arrangements and/or a purpose-built 'client account' mechanism as currently used by the legal and Corporate Service Providers (CSP) professions and which was introduced during 2010.

International scrutiny

The Island welcomes regular audits at an international level to make sure it maintains the highest global standards. The Commission looks forward to the Mutual Evaluation exercise planned by the Council of Europe's MONEYVAL in 2016.

Real and effective presence

Manx operators must be located in the Isle of Man – this includes their player registration servers which need to be locally situated. This local presence of assets gives the players comfort that the Commission has real control over licence holders to ensure they conform to the law.

Who We Regulate

Online licence holders as at 1st April 2014:

Operator	Licence Type	Status
Alliance Gaming Solutions Limited	OGRA Network	Live
Annexio Limited	OGRA Full	Live
Asian BGE (Isle of Man) Limited	OGRA Full	Live
Blackbird Gaming Limited	OGRA Full	Live
Bonobo PLC	OGRA Full	Live
Boylesports (Isle of Man) Limited	OGRA Full	Live
Camasino Limited	OGRA Full	Live
Celton Manx Limited	OGRA Full	Live
Chelbis Company Limited	OGRA Sub	Live
Cladstone Limited	OGRA Full	Live
Cozy Games Management Limited	OGRA Network	Live
Cube Limited	OGRA Full	Live
Galaxy Bet (IOM) Limited	OGRA Full	Live
Golden Boys Bet Limited	OGRA Full	Live
HoGaming Limited	OGRA Full	Live
International Gaming Cooperation Limited	OGRA Network	Live
Joint Sports Betting Limited	OGRA Full	Live
Keen Ocean Entertainment (IOM) Limited	OGRA Full	Live
Knockout Gaming Limited	OGRA Full	Live
Locus Gaming Isle of Man Limited	OGRA Full	Live
Luxbet Europe Limited	OGRA Full	Live

Mahjong Logic Limited	OGRA Full	Live
MarketstheWorld Limited	OGRA Full	Live
Market Bet Global Limited	OGRA Full	Live
Novigroup Limited	OGRA Full	Live
Oneworks Network Limited (formerly SunPlus Group)	OGRA Network	Live
Pacific Sea Invests S.A. (Europe) Limited	OGRA Full	Live
Pariplay Limited	OGRA Network	Live
Paddy Power Holdings Limited	OGRA Full	Live
Premier Gateway International Limited	OGRA Full	Live
Quinella Games Limited	OGRA Sub	Live
Rational Entertainment Enterprises Limited	OGRA Network	Live
Rational FT Enterprises Limited	OGRA Network	Live
Regent Markets (IOM) Limited	OGRA Full	Live
Sun.Gaming IOM Limited	OGRA Sub	Live
Tailorbet Limited	OGRA Network	Live
TGP Europe Limited (formerly Jenningsbet (IOM) Ltd & Whitenet Solution Ltd)	OGRA Network	Live
Top Gaming Europe Limited	OGRA Sub	Live
Tradagames (Isle of Man) Limited	OGRA Sub	Live
TWLV Gaming Limited	OGRA Full	Live
Velocity Wagering Limited	OGRA Full	Live
Vivant Limited	OGRA Full	Live
Watchmore Limited	OGRA Sub	Live
Webis Holdings PLC	OGRA Full	Live
Welton Holdings Limited	OGRA Full	Live

Wombat (IOM) Limited	OGRA Sub	Live
Xela Limited	OGRA Full	Live

Operators that have rescinded a licence or are yet to launch during 2013/2014:

Operator	Licence Type	Status
Cash Ball Limited		Ceased
Mandalay Gaming Holdings Limited		Ceased
Pearl Aces Limited		Ceased
Phumela Gold International Limited		Ceased
Stantaxon Limited		Ceased
Vamagaming (IOM) Limited		Ceased
XP (Capital) Limited (formerly Viaden Gaming Limited)		Ceased
Ever Adventure (IOM) Limited	OGRA Full	Not yet live
Lucky Online Limited	OGRA Full	Not yet live
Playstone Limited	OGRA Sub	Not yet live
Sugarhill Limited	OGRA Network	Not yet live
VW Group Limited	OGRA Full	Not yet live

The land based industry

It has been a relatively quiet year by recent standards but it is interesting to note that it is still the Island's domestic sector that claims the larger share of legislative reform.

In response to a request from the sector, regulations were made which increased the prize limit on an Isle of Man gambling machine from £70 to £100, allowing local suppliers to ensure the continued availability of modern, high quality machines from UK suppliers.

Regulations were also made to allow such machines to have their core functions updated remotely. Prior to this reform, such activity was inadvertently caught by the Island's remote gaming law and consequently the machines would be periodically loaded onto and off trucks and shuttled between the depot and the bar or club where they were offered. At a stroke, the same types of machines can now be updated remotely via the internet, allowing a greater variety of games to be offered to the public at the touch of a screen.

Finally, the GSC agreed to allow the deployment of tournament games machines – machines which allow players to compete against one another for prizes – and awaits with interest the introduction and impact of such machines.

The GSC would like to record its thanks to Mr. Ray Wells and his son, Ray Wells Jr for their invaluable assistance in the development of some of the regulatory changes that were presented during the year



Kallow Point

Developments

UKIPT Tournament

2013/14 saw the inaugural use of the Temporary Premises Regulations as introduced in the previous year. In conjunction with the current casino licence holder, the existing online licensee PokerStars was able to take advantage of the regulations to host a leg of its UK and Ireland Poker Tour (UKIPT) and the event attracted hundreds of players to the Isle of Man. Many of the players were able to visit PokerStars' headquarters and the tournament also received wide coverage in the media. The GSC are delighted to report there were no issues arising from the event and are happy to note that a similar event is contemplated for the 2014/15 year.

New law and regulations

In addition to the regulations mentioned earlier (the uplift in prizes to £100, the ability to update machines remotely and the introduction of tournament games machines), the GSC also introduced two important changes for the online environment:

The Participants' Money Regulations were refined to allow banks (with the approval of Treasury) off-Island as well as those on-Island to operate player fund protection accounts.

The regulations on the return of prizes to the source from whence the stakes originated were modified to broaden the permissible channels beyond the use of cheques.

Revised AML/CFT guidance

In February 2014, the GSC issued its revised AML/CFT guidance to the sector. Offering a greater degree of clarity on the reasons for the provisions and the way they are expected to be implemented, the guidance has attracted favourable feedback from a wide range of stakeholders.

The revised guidance presages a period of enhanced scrutiny on the effectiveness of the measures all operators must deploy to combat money laundering and terrorist financing.



Legislative Buildings

Consumer protection

The Commission remains committed to consumer protection. Player fund protection is a key requirement of all of our online licence holders and this policy along with the protection mechanisms we insist on continues to benefit both the consumer and Island. Should an operator be unable to continue offering its products and services for any reason, players can and will be able to retrieve their funds. This policy provides players and operators alike with a level of comfort not usually afforded elsewhere.

As with any industry there will always be some customers who feel aggrieved with the conduct or actions of the business they have a relationship with. Gambling is no different. The Commission requires all of its licence holders to make available a fair and robust procedure whereby any player can make a formal complaint and that complaint will be treated fairly, objectively and quickly. Should the player not get satisfaction from the licence holder or should they wish to exclude themselves from the licence holder, they can complain directly to the Commission. The Commission operates an open and transparent complaint procedure to ensure an efficient and fair resolution.

All online licence holders are required, by a condition of their licence, to make a contribution to the Island's Problem Gambling Fund. Contributions are collected annually and the funds are distributed between the Isle of Man Department Health and Social Care and the Responsible Gambling Trust, a UK based charity.

The Isle of Man Department of Health and Social Care uses these contributions to fund third sector addiction support agencies which provide local service and support to those individuals and their families for whom gambling is becoming or has become a problem. The Responsible Gambling Trust is the leading charity in the UK committed to minimising gambling-related harm. As an independent national charity funded by donations from the gambling industry, the Responsible Gambling Trust funds education, prevention and treatment services and commissions research to broaden public understanding of gambling-related harm.



Cooperation

In addition to the ongoing cooperation with other regulators that covers a broad scope of activity, three distinct areas of cooperation have emerged in the last twelve months.

The GSC has enjoyed a productive dialogue with the UK's Sports Betting Integrity Unit and has cooperated on a number of cases where the integrity of sport may have been compromised by the actions of corrupt athletes, officials and the criminals who manipulate the outcomes of games or events.

To underline its commitment to this important area of cooperation, the GSC signed a Memorandum of Understanding with EWS (Early Warning System), the integrity body that represents FIFA.

The GSC has also cooperated closely with a regulator in a criminal matter, both analysing data from its own operators based on intelligence supplied as well as supplying intelligence back to the regulator and to the police via the Financial Crime Unit.

Finally, the GSC has started a unilateral programme of excluding players from gambling where it is apparent that the problems are so acute as to present a significant danger to the player. In such cases, the GSC can provide information on its concerns to other regulators for them to consider if action is needed to mitigate the potential for harm.

Player Issues

Complaints from players

While complaints remain very low in comparison to overall player numbers, the number of complaints made to the GSC during the period increased from 367 complaints during 2012-2013 to 580 complaints during 2013-2014.

It has become clear that the growth in player complaints is broadly proportionate to player numbers.

It remains a key element of the GSC's licensing and on-going compliance programme that the terms and conditions of registration and play are clear and easily understood and that operators consider player complaints in an objective and impartial manner. The overwhelming majority of complaints are dealt with satisfactorily by operators and complainants rarely feel the need to approach the GSC for advice or intervention.

Core Principle	Typical elements of complaints	Number of complaints	Number of complaints satisfactorily resolved
To keep the gambling industry crime free	<ul style="list-style-type: none">• Account Suspension• Withdrawal & I.D. difficulties• Rigging• Collusion• Other	230	230
To protect the young and vulnerable	<ul style="list-style-type: none">• Self-Exclusion• Chat Issues• Marketing Issues• Other	102	101*
To ensure that games are fair	<ul style="list-style-type: none">• Bet Disputes• Games Rules / Terms & Conditions• Software/Hardware Issues• Other	247	245*

*There were three complaints that the Inspectorate were unable to bring to a conclusion within the specified time period of the Annual Report. This has been due to the delicate and complex nature of these complaints and significant volumes of data requested during the investigation process.

Our Accounts

Income and expenditure

	2012/13	2013/14
Income		
Gambling Amendment Act, Licensed Betting Office fees and duty*	£34,219	£28,206
Terrestrial Casino licence fee	£307,832	£286,537
OGRA licence fees**	£1,875,000	£1,990,000
SUBTOTAL	£2,217,051	£2,304,740
Expenditure		
Salaries, pensions and misc. staff costs	£512,491	£517,799
HR costs (recruitment, training etc)	£6,872	£9,945
Rent (inc utilities)***	£59,443	£2,570
Professionals' fees (accountancy, legal) & Subscriptions	£91,600	£81,622
Travel, accommodation, expenses	£20,726	£19,632
Office equipment	£9,482	£7,199
Administration	£8,411	£6,319
Additional licensing costs (public notices, other)	£1,456	£1,805
Hospitality	£1,839	£1,701
SUBTOTAL	£712,320	£648,142
BALANCE	£1,504,731	£1,656,598

Notes:

* Arising from the certification and duty of controlled machines such as fruit machines, etc.

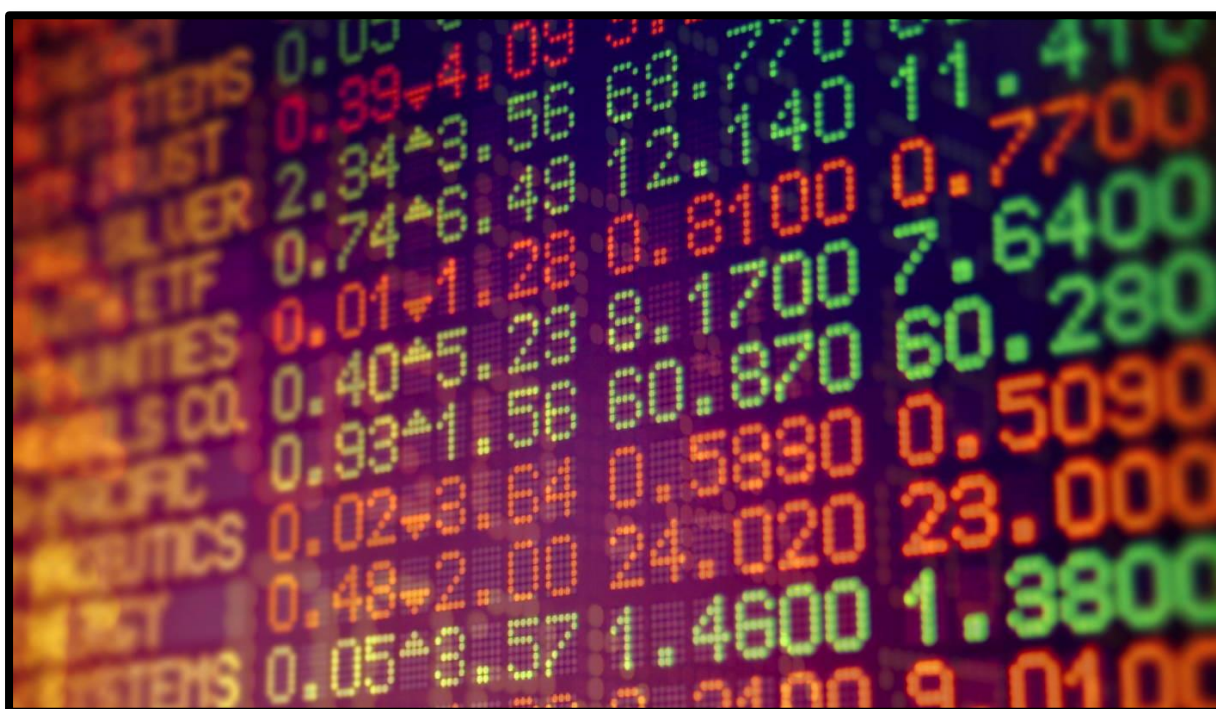
** Arising from the application and annual licence fees paid by online operators.

*** Accommodation fees excluded from 13/14 budgetary control.

Future Plans

Crypto currency

The GSC has been approached by its licensees and asked if they may be permitted to utilise the emerging technology called crypto currency, exemplified by schemes such as Bitcoin and Litecoin. At the time of writing, the GSC has considered the issues involved and has determined a scheme which will allow business to operate using crypto currency whilst operating safeguards which mean that this new and emerging technology can still be monitored for risk.



Our Annual Plan

Item	Description	Priority	Timetable
On-going Compliance programme	The programme currently consists of: <ul style="list-style-type: none"> - One operator visit per month; - Weekly visits to licensee websites; - Quarterly checks on finances and significant events; - Two themed portfolio checks (which analyse a particular aspect of compliance across all operators simultaneously) per quarter; - Checks on player fund levels; - Annual live-dealer facility checks; - Regular casino visits; - Monthly internet checks on the affairs of network operators' partners. 	High	On-going
Market access	This process engages with European jurisdictions on a selective basis to establish constructive links to allow continued Isle of Man access to European markets on a fair and competitive basis.	High	On-going
Miscellaneous Provisions Bill	This predominantly legislative project will sweep up a number of inconsistencies and oversights that have built up over the last two decades. It will also create opportunities for all arms of the sector. It finished consultation in the 2013/14 year and is now being prepared for presentation to the draftsman.	High	2015
Continued representation in international forums	A continuation of the work in the IAGR working groups to establish sensible common standards between regulators; continued attendance at GREF and key legal conferences to understand developments and sentiments in Europe.	Medium	On-going
AML/CFT programme	This project will benchmark the current AML/CFT compliance standards in the industry and mandate any necessary improvements.	High	2014/15
System requirement specification	This project seeks to create a common regulatory IT platform to be shared with the IPA and possibly the FSC.	Medium	2014/15

Key performance indicators

Efficiency of the application process

The following targets pertain to the processing of applications from prospective licensees. It should be noted that time is measured on a cumulative basis and only where the onus is on the Commission to process the application. The 'clock' is stopped when the Commission is awaiting further information and starts only when it is in a position to move the process forward. During the period 10 new online applications were processed at an average of 12 days per application.

Activity	Target during the 2013/14 period	Performance during the 2013/14 period (average)	Summary of performance	Revised targets
Online applications	16 days	12 days	Pass	16 days
Casino applications	7 days on annual renewal	6 days to process annual renewal	Pass	7 days
Other land-based applications	3 days	3 days	Pass	3 days

Adherence to inspection targets

The Commission maintains a schedule of planned operator visits, quarterly returns and portfolio checks. While the details of these checks are, by necessity kept confidential, the timetable is monitored by the Licensing and Compliance Director who notes infractions against a base-lined plan over the year.

Activity	Target during the 2013/14 period	Performance during the 2013/14 period (average)	Summary of performance	Revised targets
Visits conducted in accordance with plan	100%	100%	Pass	100%
Visit feedback report to operator	Within 21 working days	16 days	Pass	Within 21 working days
Portfolio checks (thematic checks across all licensees)	2 per quarter	2 per quarter	Pass	2 per quarter

Gambling Legislation

Online Gambling Regulation Act 2001

- Online Gambling (Advertising) Regulations 2007
- Online Gambling (Prescribed Descriptions) Regulations 2007
- Online Gambling (Systems Verification) (No.2) Regulations 2007
- Online Gambling (Transitional Arrangements) Regulations 2007
- Online Gambling (Betting and Miscellaneous Provisions) Regulations 2007
- Online Gambling (Disaster Recovery) (No.2) Regulations 2007
- Online Gambling Duty Regulations 2008
- Online Gambling (Registration and Accounts) Regulations 2008
- Online Gambling (Licence Fees) Regulations 2009
- Online Gambling (Exclusions) Regulations 2010
- Online Gambling (Participants' Money) Regulations 2010
- Online Gambling (Network Services) Regulations 2011

The Online Gambling Regulation Act 2001 (OGRA) was introduced to provide for the regulation of certain forms of gambling carried on by means of telecommunications.

The regulations made under this Act provide for the regulation and good conduct of online gambling operations and ensure that the Commissions core principles are upheld:-

- Ensuring that gambling is conducted in a fair and open way.
- Protecting children and other vulnerable persons from being harmed or exploited by gambling.
- Preventing gambling from being a source of crime or disorder or being used to support crime.

And where these principles are not compromised:

- Ensuring that gambling products promoted by operators in the Island can compete effectively throughout the world.
- Facilitating competition.
- Facilitating the provision of modern products and services.

Gambling Supervision Act 2010

The Gambling Supervision Act 2010 makes further provisions:

- For the status, consultation and functions of the Gambling Supervision Commission.
- Concerning appeals from the Commission.
- To amend the Online Gambling Regulation Act 2001

Regulations made under the Gambling Supervision Act 2010

- Gambling Supervision (Permitted Disclosures) Order 2010

Codes

- Money Laundering and Terrorist Financing (Online Gambling) Code 2013
- Money Laundering and Terrorist Financing Code 2013

The provisions of the Money Laundering and Terrorist Financing (Online Gambling) Code 2013 impose requirements on online gambling businesses to establish anti-money laundering procedures, training and record keeping.

Casino Act 1986

- Casino (Licence Applications) Regulations 1986
- Casino Regulations 2011
- Casino (Temporary Premises) Regulations 2013

The Casino Act makes provision for the Isle of Man to licence a maximum of 2 land based Casinos.

Gaming (Amendment) Act 1984

- Controlled Machines Regulations 1985
- Certification of Premises (Application Fees) Order 2003
- Controlled Machines (Suppliers Licenses) (Fees) Order 2003
- Controlled Machines (Exemption) Order 2008

The Gaming (Amendment) Act 1984 controls the keeping for use and the sale and supply of certain amusement machines.

Gaming, Betting and Lotteries Act 1988

The Gaming, Betting and Lotteries Act 1988

1. Defines gaming, the restrictions on certain gaming and gaming exemptions under the Act.
2. Sets out general restrictions on betting and provides for Licensed Betting Offices.
3. Places restrictions on Lotteries and prescribes conditions which allow for certain lotteries to be operated.

- Bingo Nights (Prescribed Conditions) Regulations 2010

Offers prescribed conditions for Bingo Nights organised by Society Lotteries.

- Racing Nights (Prescribed Conditions) Regulations 2010

Offers prescribed conditions for Race Nights organised by Society Lotteries.

- Society Lottery Advertisements Regulations 2011

Provides the provision to allow Society Lotteries to advertise using any legal medium.

Gaming, Betting and Lotteries (Amendment) Act 1996

Makes amendments to the main Acts.

Gaming, Betting and Lotteries (Amendment) Act 2001

Makes amendments to the main Acts.

Betting Offices Act 2001

Amended the Gaming, Betting and Lotteries Act 1988 to Licensed Betting Offices.

The Gambling (Amendment) Act 2006

- Outlines the licensing objectives.
- Renames the Gambling Supervision Commission and restates its constitution.
- Provides for an appeals Tribunal.
- Amends other Gambling Acts.

Pool Betting (Isle of Man) Act 1961

Legalised Pool betting and imposed a pool betting duty - Treasury Responsibility.

Pool Betting (Isle of Man) Act 1965

Amended the way that Pools betting duty is calculated – Treasury responsibility.

Pool Betting (Isle of Man) Act 1970

Treasury responsibility prescribes matters relating to the recovery of Pools duty.

Betting Act 1970

Prescribes the general betting duty for different types of betting - Treasury responsibility.

Public Lotteries (Amendment) Act 1993

Treasury responsibility – to permit more than one public lottery in one year and to permit the sale of tickets or chances at any time of the year. To provide for the proceeds of the public lotteries to be paid to the Public Lottery Trust or such other charitable purposes as may be specified.

National Lottery Act 1999

Treasury responsibility – to enable the application to the Island of the National Lottery Act 1993 and to amend legislation relating to lotteries.



The Point of Ayre

