

Isle of Man
Gambling Supervision Commission



Annual Report

2012 – 2013

GD 13/13



The Calf of Man

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St. George's Court

Contents

Chairperson’s Statement.....	5
Chief Executive’s Statement.....	7
Responsibilities	9
The Commission	11
Senior Management Team	13
The Inspectorate	15
The Secretariat	17
Key Strengths.....	18
Regulatory Safeguards	20
Who We Regulate.....	23
Our Accounts.....	34
Future Plans	35
Our Annual Plan.....	36
Key Performance Indicators	37
Gambling Legislation	38

Chairperson's Statement

The chairman's introduction is traditionally focussed on the achievements of the year and to offer thanks to the staff who work hard to make them happen. It is a great pleasure to find, after my first year as chair that the duty is an easy and happy one.

It has been a typical year in the gambling sector and it is the unrelenting pace of developments in the industry which makes the task of being the regulator a complex but endlessly interesting and ultimately rewarding one.

We have seen rapid change. Revolutions in mobile computing and social networking have made it as easy to place a bet whilst sitting on the bus or in the airport as it is in the casino or the bookmaker's premises. Rapid change exercises the regulator which has to ensure new products and services don't create unintended harm to the consumer.

We have seen unprecedented growth. New operators continue to be licenced and organic growth within established business continues to be strong. In addition there is a growing community of ancillary businesses that, while not licensable, plays a vital role in the support and development of the industry. Unprecedented growth exercises the regulator which has to ensure that growth doesn't diminish the high standards of probity and integrity exercised by our licence holders.

We have seen thought-provoking challenges. Criminals and terrorists have never been so sophisticated or determined as they are now. Governments have never had to work so hard as they do in these days to secure their financial systems and the businesses which use them from misuse. Separately, and perhaps inevitably as gambling migrates from the bookies' shops and the casino to the PC, the tablet and the social media platform there has never before been so much temptation put before the population to gamble - an advert on television is as likely to be for a gambling product as margarine or car insurance. A significant number of sports teams are sponsored by gambling brands that are now as well known to fans in Mindanao as those in Manchester.

For most, gambling is seen as a leisure activity. However there are a very small but nonetheless important group of vulnerable people who will perceive gambling as an escape, a solace or a chance of a new life. The challenges the industry creates exercise the regulator which has to ensure that criminal influence is kept out of gambling and that the young, and the vulnerable are quickly identified and excluded from gambling.

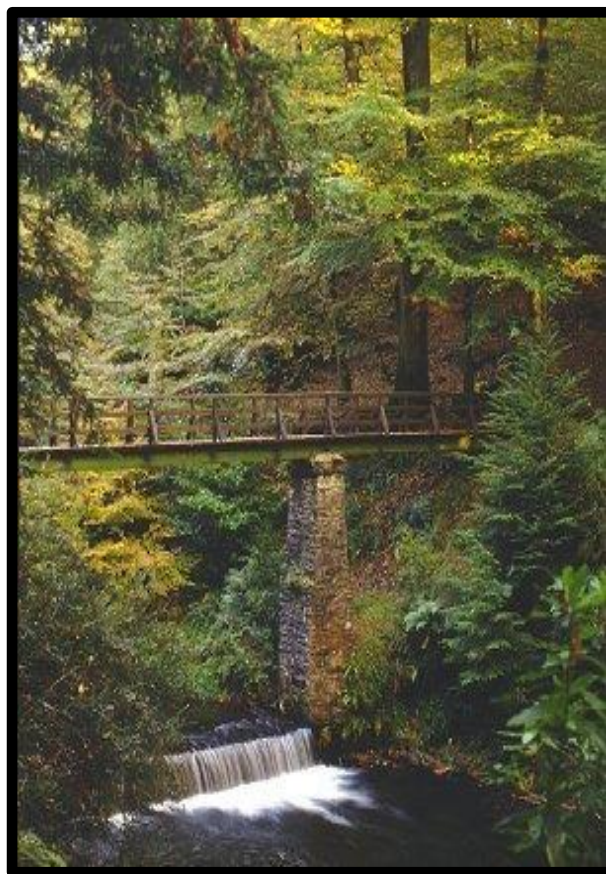
With its tradition of over fifty years regulating gambling, the Commission is proud of the fact that it can claim that in all that time, there has always been a genuinely effective layer of protection for the players of the Isle of Man operators whether as residents, tourist visitors or latterly as citizens of the global village who increasingly choose to trust the Isle of Man's crest as the mark of quality regulation.

The Commission's greatest asset is its people. I conclude by thanking my Commission colleagues for their robust contributions to our deliberations by which as regulators we seek to maintain a rigorous licencing regime, continuing to enhance the Island's reputation and attract the right kind of business and to my chief executive Steve Brennan and his staff for their continued enthusiasm and professionalism.

I take great pleasure in presenting this report for the 2012/13 year.

Ron Spencer

Chairperson



Glen Helen Bridge

Chief Executive's Statement

In my statement last year the emphasis was on the challenges the Commission had faced. This year is about the beginning of a period of transition for the gambling sector, particularly the online gambling sector as it evolves and matures. More jurisdictions are looking to regulate online gambling, occasionally driven by revenue generation, but primarily for the purposes of consumer protection. I believe that, given the inherently cross-border nature of online gambling, the most effective consumer protection safeguards are best achieved through regulatory co-operation and the sharing of best practice, knowledge and intelligence. The Commission is committed to such co-operation and is proactively building, and where appropriate, formalising relationships with regulators and governing bodies, no more so than in Europe.

In August the Commission concluded a formal agreement with Malta which builds on its commitment of co-operation and as the year closes, is in the process of concluding two further agreements with other European regulators.

In October, following on from its 2011 Green Paper consultation, the European Commission published a White Paper 'Towards a Comprehensive European Framework for Online Gambling' setting out proposed policy actions in five key areas. The Gambling Supervision Commission has had extremely positive engagement in Brussels in the context of the White Paper regarding the future direction of EU policy and the regulation of this important, growing and cross-border sector and has stressed the importance of drawing on the widest possible experience of other jurisdictions, including non-EU jurisdictions to enrich the EU's own policy development process. There is still much work to be done in this area and I am very grateful to Mr Patrick Bourke, Director of European Affairs, Isle of Man Brussels Office for his invaluable insight, advice and support to further our active engagement.

Looking closer to home, the UK's gambling reform and introduction of licensing at the point of consumption has completed the policy stages with a draft Gambling (Licensing & Advertising) Bill having been prepared for introduction into Parliament. There is still much that has not as yet been determined with regard to the UK's regulatory approach; however the Commission, alongside colleagues from the Department of Economic Development continue to press the UK Gambling Commission for detail.

With evidence of the regulatory landscape changing globally, albeit slowly, and the challenges and opportunities this brings, the Commission is pleased to be part of a strategic sector initiative being led by the Department of Economic Development and supported by a private sector advisory board. Sector development has traditionally focussed on licensable business, however broader sector diversification is now considered fundamental and I am confident the strategy can deliver this.

Despite the effort required to research, support and develop the challenges, opportunities and initiatives outlined above, the core work in the Commission still goes on. Licence applications are still being processed, our compliance programme still needs to be managed and our clients' administration requirements still need to be met. Additionally there have been a number of new Inspectors appointed during the reporting period and I am pleased to say they are settling quickly into the busy office environment, discharging their duties in a professional, timely and consistent manner. There has also been change within the Commissioners with Ms Claire Milne stepping down as Chairperson with this role being taken up by Mr Ron Spencer and Mr Jerry Carter being re-appointed to the vacant Commissioner post.

I would like to express my sincere gratitude to the Commissioners and staff of the Commission for the support and effort they have all put in during what has been our busiest year to date.

Steve Brennan
Chief Executive Officer

Responsibilities

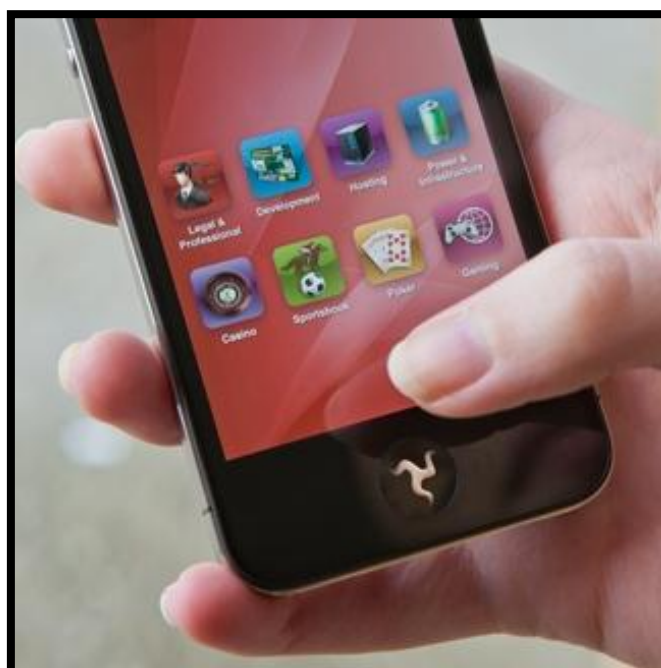
The Isle of Man Gambling Supervision Commission has three core principles. They are:-

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, we conduct 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 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 randomness 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;
- Weekly 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, Ron 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.

Jerry Carter has been a qualified Manx Advocate since 1984 with areas of expertise in Licensing Law, Fraud, Criminal and Commercial Law. Jerry 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. Jon 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, Jon 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 Jon has worked in partnership with the Isle of Man Government to establish an e-gaming sector and promote the Island worldwide. Jon

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 has been 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 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 & 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:

- Our 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 our clients receive a professional, accurate & efficient service.



Chris Cain Stephen White Kim Manning Rheuben Thomas Tony McMeiken

Chris Cain joined the commission in 2013, coming from a Police background primarily in Financial Crime Investigations, International Cooperation, Professional Standards and Information Security. Chris brings with him a wealth of Police experience, both locally in the Isle of Man and Greater Manchester Police, where he first became a qualified Gaming Inspector in 1988 dealing with land based licence holders.

Stephen White joined the Commission in 1999, bringing with him experience from a background in bookmaking.

Kim Manning joined the Commission in 2011, coming from a background in compliance. Kim holds a BA (Hons) in Business Management and holds Associate level status with the Chartered Management Institute.

Tony McMeiken joined the GSC in 2011 to provide support in relation to Anti-Money Laundering and Countering Terrorism Financing related matters. Tony is an experienced Chartered Internal Auditor, with a background in corporate governance and investigations gained whilst serving the Treasury for over 30 years in a broad range of roles.

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 (if necessary), of National Insurance contributions. Following the transfer of his post to Treasury, his extensive knowledge of court procedures was utilised and he became directly involved with 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.

UK White-Listed

The Island continues to be a part of the UK Government's White List which allows operators based in the Isle of Man to advertise their products to markets in the UK and to have UK based players. Continued membership of the White List reflects the fact that the Isle of Man maintains the highest standards of regulation.

2010 saw the announcement by the United Kingdom's Department of Media, Culture and Sport of a desire to move the UK to a licensing model with concessions for existing licence holders operating out of approved jurisdictions, including the Isle of Man. The Commission is pleased to remain in dialogue with the UK about the shape of the on-going reform.

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) 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. This is 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. Encouraged by OECD white-listing, 2012/13 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 with additional agreements expected to be finalised with other jurisdictions in the near future.

Regular attendance of the GREF (Gambling Regulators of Europe Forum) and its international equivalent (IAGR) remains a cornerstone of the GSC's international commitment.

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, specialist consultancy, etc) which makes the Isle of Man an attractive platform for licensed operators.

During the reporting period, there has been significant investment in call-centre facilities capable of providing customer support facilities for the sector.

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 licenses 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.

Stringent White List access

Manx operators who wish to take advantage of the UK White List (which allows Isle of Man licensed operators to market into and have customers from the UK without requiring a UK licence) are required to move their operations to the Island. This prevents the White List from being taken advantage of by global operators who might otherwise establish a notional presence on the Island in order to obtain market access. The external guidance recently issued by the Commission states this clearly:-

"Where the Commission suspects that an operator is coming to the Isle of Man in order to benefit from the advertising privileges the Island enjoys in the UK (the 'White List') then it will expect the operator to relocate a significant part of its operation to the Island. It reserves the right to decline applicants who appear to be creating a nominal Isle of Man presence in order to advertise in the UK their parent or sister organisations located elsewhere in the world."

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, 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. The framework was successfully tested during 2011

when the entire US player account of an operator was repatriated to players within two weeks of an unforeseen development.

International scrutiny

The Island welcomes regular audits at an international level to make sure it maintains the highest global standards. The Commission welcomes the periodic IMF/MONEYVAL audits as well as the 'mystery shopper' compliance tests conducted by the UK's Gambling Commission during which a child volunteer working for the Commission attempts to register for access to gambling in order to determine the strength of the operators' preventative counter-measures. It should be noted that all of the White Listed jurisdictions' operators performed very well.

Real and effective presence

Manx operators must be located on 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 2013:

Operator	Licence Type	Status
Annexio Limited	OGRA Full	Live
Bonobo PLC	OGRA Full	Live
Boylesports (Isle of Man) Limited	OGRA Full	Live
Camasino Limited	OGRA Full	Live
Cash Ball Limited (formerly NYX Interactive Network IOM Limited)	OGRA Full	Live
Celton Manx Limited	OGRA Full	Live
Cladstone Limited	OGRA Full	Live
Cozy Games Management Limited	OGRA Network	Live
Cube Limited	OGRA Full	Live
Edict Egaming IOM Limited	OGRA Full	Live
Golden Boys Bet Limited	OGRA Full	Live
HoGaming Limited	OGRA Full	Live
Keen Ocean Entertainment (IOM) Limited	OGRA Full	Live
Locus Gaming Isle of Man Limited	OGRA Full	Live
Mahjong Logic Limited	OGRA Network	Live
Mandalay Gaming Holdings 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 Full	Live
Pearl Aces Limited	OGRA Sub	Live
Paddy Power Holdings Limited	OGRA Full	Live
Phumelela Gold International Limited	OGRA Sub	Live
Premier Gateway International Limited	OGRA Full	Live
Rational Entertainment Enterprises Limited	OGRA Full	Live
Rational FT Enterprises Limited	OGRA Full	Live
Regent Markets (IOM) Limited	OGRA Full	Live
Sugarhill Limited	OGRA Network	Live
Sun.Gaming IOM Limited	OGRA Sub	Live
TGP Europe Limited (formerly Jenningsbet (IOM) Ltd & Whitenet Solution Limited)	OGRA Network	Live
Tradagames (Isle of Man) Limited	OGRA Sub	Live
TWLV Gaming Limited	OGRA Full	Live
Vamagaming (IOM) Limited (formerly Goaldash Limited)	OGRA Full	Live
Velocity Wagering Limited	OGRA Full	Live
Watchmore Limited	OGRA Sub	Live
Webis Holdings PLC	OGRA Full	Live
Welton Holdings Limited	OGRA Full	Live
Xela Limited	OGRA Full	Live
XP (Capital) Limited (formerly Viaden Gaming Limited)	OGRA Full	Live

Operators that are yet to launch or have rescinded a licence during 2012/13:

Operator	Licence Type	Status
Chronicle Bookmakers Ltd		Ceased
HighSixes (Isle of Man) Limited		Ceased
iGaming IOM Limited		Ceased
Logispin Manx Limited		Ceased
Sport Market Manx Limited		Ceased
Vuetec (IOM) Ltd		Ceased
Asian BGE (Isle of Man) Limited	OGRA Full	Not Yet Live
Blackbird Gaming Limited (formerly Eurasia Sports Limited)	OGRA Full	Not Yet Live
Chelbis Company Limited	OGRA Sub	Not Yet Live
Galaxy Bet (IOM) Limited	OGRA Full	Not Yet Live
Knockout Gaming Limited	OGRA Full	Not Yet Live
Phantasmagora Limited	OGRA Full	Not Yet Live
Quinella Games Limited	OGRA Sub	Not Yet Live
Spacemiles	OGRA Full	Not Yet Live
Stantaxon Limited	OGRA Full	Not Yet Live
Tailorbet Limited	OGRA Network	Not Yet Live
Top Gaming Europe Limited	OGRA Sub	Not Yet Live
Vivant Limited	OGRA Full	Not Yet Live

The land based industry

The year saw the further development of the land based casino environment.

A temporary premises regime was introduced to allow any Isle of Man casino licence holder to operate an event, such as a poker tournament, in a location different to its regular premises. Whilst still protected by the casino regulations, such events allow a casino licence holder to combine the wonderful assets of the island as a tourism destination with the expertise that has accumulated in the Isle of Man over the last fifty years.

In addition, the GSC agreed to undertake root and branch reform to its other land-based operators. These measures which will soon be the object of a consultation exercise include:

- Removing red tape on charity lotteries;
- Building flexibility for machine suppliers;
- Creating the flexibility to move casinos into newly built facilities.

The amusements and betting industry

The Isle of Man has always had a tradition of coin operated amusements because of its heritage as a holiday destination. While the overall size of this sector has declined over the decades, inevitably giving ground to online gaming, the operators in this area continue to experience sustainable revenue and the GSC has considered their issues in a series of meetings. The consultation document includes measures to address some of the concerns that have been raised, in particular with the ability to obtain modern machines and to compete with online gaming.

The Island has a representative portfolio of licensed betting offices (LBOs) and these continue to operate a mixture of across-the-counter betting operations as well as controlled fixed odds machines offering roulette and numbers games. There are currently three permit holders with nine LBOs on the Island.

During the year, the duty payable on controlled machines was superseded by Machine Games Duty, the same duty that now taxes machines in the UK, albeit at a slightly higher rate in that jurisdiction.

Society lotteries

The Commission continues to take an unobtrusive but vigilant stance on the many charity draws and raffles that are collectively known as society lotteries. Low risk and high volume, the Commission's primary mandate is to ensure that the lotteries are run properly and that the many people charged with their organisation understand their obligations under the law.

It is anticipated that reforms will remove some of the administrative overheads associated with operating society lotteries whilst still providing an assurance to the public that the lotteries are being operated fairly.



Glenfaba Bridge

Developments

As well as restating the primary regulatory objectives of fairness, consumer protection and the prevention of criminality, the Gambling Supervision Act 2010 expanded the regulatory objectives to put requirements on the Commission, when discharging its functions, for the supervision of gambling in the Island to be:

- Effective;
- Responsive to commercial developments;
- Proportionate.

As well as having regard to:

- The economic and efficient use of its resources;
- The application of International Standards;
- Cooperation with other Governments, Regulators and others;
- Safeguarding the Island's reputation;
- The responsibilities of key officials;
- The International character of gambling; and
- The desirability for Island industry development, securing competition and that its products can compete on a global level.

New law and regulations

Temporary premises certification was introduced via the Casino (Amendment) Act of 2012.

Under this reform, and the attendant regulations, it now becomes possible for a casino licence-holder in the Isle of Man to operate gambling for a limited time in premises other than those usually subject to a casino licence.

Whilst it is anticipated that some of the Isle of Man's online operators might wish to make use of their home jurisdiction for prestigious events to showcase the Island and show players why they have located their business in the Isle of Man, it is also possible that a casino licence holder could become adept at hosting such events, creating a new stream of gambling business for the Isle of Man.

Proposed legislative changes

The GSC is currently in the process of consulting on an extensive list of reforms, the primary subjects of which are:

- Casino licensing and the portability of the licence;
- Casino licensing and the preconditions for cash deposits if no buildings exist;
- Greater flexibility for suppliers of gaming machines;
- Clarity on gambling as used in the advertising/promotion of products;
- Discounts for unpaid parts of licences;
- Simplification of the requirements when running charity lotteries;
- Repeal of a law which currently represents a doubled-up tax.

AML/CFT law has also been reformed and now the disparate codes that used to refer to money laundering and terrorist financing for both online and offline operators' have been consolidated into two codes (one for terrestrial operators and one for online gambling operators).

A new guidance document has been issued and it cites future developments such as the new European Anti-Money Laundering Directive 4 which will be introduced in some form soon and which will become the touchstone for trends and minimum requirements for many years to come.



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 of Social Care and the Responsible Gambling Trust, a UK based charity.

The Isle of Man Department of Social Care uses these contributions to fund third sector addiction support agencies which provide local service and support to those individuals 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.

Advice

Open and transparent guidance is another of the GSC's cornerstones – allowing operators to understand the regulations and policy that they will be subject to prior to applying – and the guidance is constantly being updated. This year saw three revisions of the external guidance from version 5 to version 8. During the year, the GSC has continued to make available as

required, introductory sessions for Corporate Service Providers (CSPs) seeking to enter the sector and assist prospective licensees with their applications or provide managerial and administrative support. These sessions provide insight into the nature of the GSC's work and explain the application process in detail. Two sessions were held during the year.

On an informal footing, representatives of the GSC have also attended sessions operated by recruitment and staffing agencies where attendees have specifically sought insight into the gaming sector.

Efficiencies

As with all businesses in the current economic climate, the need for efficient and effective use of resources to maximise a return is key. For the last four years the GSC's internal processes and structure have been extensively re-engineered to increase effectiveness while at the same time creating efficiency savings. Examples include:

- Increased use of process to accommodate the growth in new business whilst being monitored with same number of staff;
- Flatter structure to allow for an extra inspector;
- Favourable renegotiation of key contracts;
- Strengthening of the compliance tracking framework.

However, the GSC is now beginning to encounter the limits of its potential efficiencies and so is exploring the use of a bespoke IT system to allow it to continue to scale up its activities and analyse data harvested from its licensees in a more systematic manner.

Cooperation

Just as the industry's expansion continues, so too does the dialogue between countries seeking to more efficiently regulate their licensees, conduct investigations relating to gambling or indeed, in some cases, to set up their own regulatory authorities – in the latter case the GSC has always made its experience available to interested parties.

In various capacities, the GSC has spoken with the following throughout the year:

- UK Gambling Commission;
- Estonian regulator;
- Maltese regulator;
- Greek regulator;
- Regulators looking to establish a framework in Tanzania;
- Danish regulator;
- Alderney regulator;
- Various Canadian and European regulatory or pre-regulatory authorities;
- GREF members;
- IAGR members.

The GSC defines effective regulation as a regulatory framework which allows operators to compete effectively with operators elsewhere in the world whilst still preserving important, and in some cases, unique consumer protections. High standards of regulation are only meaningful if they can be applied to the largest number of consumers.

The reporting period in this document has seen steady growth in the number of licence applications and yet the jurisdiction's operators have still maintained the very highest standards of consumer protection. Perhaps most importantly, there have been no instances of players losing money as a result of insolvency or other unforeseen occurrences.

Cooperation between the Island's regulators and competent authorities has also borne fruit. In particular, a useful channel of dialogue with the Financial Crime Unit has allowed the GSC to understand the quality of money laundering and terrorist financing reports that its operators lodge from time to time. A similar discussion with the Financial Supervision Commission has clarified the lines of demarcation between financial betting products.

Finally, the Isle of Man GSC has increased its commitment to cooperation within regulatory forums and has provided thought leadership and models for network protection, portable testing certification and information sharing amongst members of the leading European forum known as GREF.

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 263 complaints during 2011-2012 to 367 complaints during 2012-2013.

Two factors account for this growth:

- An increase in overall player numbers using services from the operators in the Isle of Man due to an increase in licensees and strong organic growth in a number of established operators.
- A sharpening of operators' internal KYC procedures (which exceed current AML/CFT requirements) and which are driven by commercial necessity, manifesting in increased requests for personal identification.

It also remains a key element of the GSC's licensing and on-going compliance 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	168	167*
To protect the young and vulnerable	<ul style="list-style-type: none">• Self-Exclusion• Chat Issues• Marketing Issues• Other	46	46
To ensure that games are fair	<ul style="list-style-type: none">• Bet Disputes• Games Rules / Terms & Conditions• Software/Hardware Issues• Other	153	153

* There was one complaint that the Inspectorate was unable to bring to a conclusion within the specified time period of the Annual Report. This was due to the complex nature of the complaint and the volume of data requested by the Commission for review and consideration.

Our Accounts

Income and expenditure

	2011/12	2012/13
Income		
Gambling Amendment Act Fees and duty*	£41,676	£34,219
Terrestrial Casino licence fee	£304,643	£307,832
OGRA licence fees**	£1,721,778	£1,875,000
SUBTOTAL	£2,068,097	£2,217,051
Expenditure		
Salaries, pensions and misc. staff costs	£450,817	£512,491
HR costs (recruitment, training etc)	£1,520	£6,872
Rent (inc utilities)	£55,475	£59,443
Professionals' fees (accountancy, legal) & Subscriptions	£85,475	£91,600
Travel, accommodation, expenses	£25,242	£20,726
Office equipment	£1,485	£9,482
Administration	£8,303	£8,411
Additional licensing costs (public notices, other)	£204	£1,456
Hospitality	£1,479	£1,839
SUBTOTAL	£630,000	£712,320
	£1,438,097	£1,504,731

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.

Future Plans

Market access

The legislative position in Europe continues to be in a state of flux as many jurisdictions contemplate or indeed enact law to accommodate online gambling. The Isle of Man, with its track record of constructive and progressive relations with Europe has continued the process of securing access for its operators within the European framework and we expect this will continue to form a substantial part of the GSC's work in the coming months.

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
UK	The UK's DCMS has indicated a desire to move its jurisdictions' operators to a European-style licensing regime and the Isle of Man is pleased to be amongst the stake-holders who have been offered the opportunity to provide input on the future regime.	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.	High	2012/13
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 upgrade	A project to introduce procedural changes to the existing AML standards to keep them in line with prevailing international standards.	High	On-going
System requirement specification	This initial project phase will create the requirement document that the GSC would put forward to an IT provider for the provision of a system for recording, maintaining and processing the increased volume of information that the GSC now controls.	Medium	2012/14

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.

Activity	Target during the 2012-13 period	Performance during the 2012-13 period (Average)	Summary of performance	Revised targets
Online applications	16 days	10 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 compliance inspections, quarterly returns and portfolio checks. While the details of these checks are, by necessity, kept confidential, the timetable is monitored by the Operational Manager who notes infractions against a base-lined plan over the year.

Activity	Target during the 2012-13 period	Performance during the 2012-13 period (Average)	Summary of performance	Revised targets
Compliance inspection conducted in accordance with plan.	100%	100%	Pass	100%
Compliance inspection feedback report to operator.	Within 21 working days	16 Working 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 Commission's 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.

Proceeds of Crime (Money Laundering – Online Gambling) Code 2010

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.

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 1984.

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

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

Prescribes matters relating to the recovery of Pools duty – Treasury responsibility.

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.