

Isle of Man
Gambling Supervision Commission



Annual Report
2010 – 2011

GD 0040/11



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1. Chairperson's Statement

2010 has been a successful, but challenging year for the Gambling Supervision Commission. Our successes include the ongoing development of our regulatory framework to meet international standards and best practice and the internal improvements and efficiencies made to organisational improvements and delivery. The online gambling area is a very fast moving one and the challenges ahead include ensuring that our online operators can have access to existing and emerging markets and we will continue to work with our stakeholders both on and off Island and Government to do all that we can to ensure that this happens. However we also have to consider our bricks and mortar operators and recognise the contribution that they make to the Island's economy.

The number of online licensees continues to grow providing endorsement of the reputation and integrity the Commission and the jurisdiction has gained over the years. The Commission works closely with all industry stakeholders to achieve our regulatory outcomes to the benefit of our on-Island operators and to ensure continued recognition by international regulators in the field of our regulatory standards.

There have been a number of changes within the Commission over the year. The introduction of the Gambling Supervision Act 2010 gave the Commission greater independence and autonomy by setting it up as a statutory board and Mr J Carter, who had been a Commissioner since 2005, resigned his position. His experience has been valuable over the years and I thank him for his contribution to the Commission during his tenure.

Finally I would like to thank my team of Commissioners for their dedication, professionalism and support throughout the year. I am grateful to the staff of the Commission whose knowledge, expertise and enthusiasm when dealing with the many and varied challenges we face has been second to none. I remain confident that the staff of the Commission are more than prepared for the challenges ahead. I am pleased to present the Gambling Supervision Commission's Annual Report 2010-11.

Claire Milne

Chairperson



2. Chief Executive's Statement

I am delighted to contribute to this years' report. The year has been very successful; we have the introduction of new legislation to enable the Commission to conclude its move to an independent and autonomous statutory authority and the introduction of new regulations to add another mechanism to the existing range of player fund protection mechanism we insist each operator has to safeguard player deposits against operator default. At the time of writing, industry events have proven these safeguards to be very effective and demonstrate the Commission's commitment to consumer protection. In terms of sector growth, the number of licence holders has increased over the year and we continue to be a jurisdiction of choice for gambling operators looking to located to a well regulated and respected jurisdiction.

The Isle of Man will work to maintain its position as a premier licensing jurisdiction with an open, transparent and professional approach to business that has been the hallmark our success so far. It is with this attitude that we will address our priorities of ensuring markets for our stakeholders, working with Governments and regulatory authorities for the improvement of international standards for regulation and supervision and the continued development of our regulatory framework to meet our licence holders and industry needs.

I would like to thank the Chairman and Commissioners for their support and wise counsel over the year and all the staff for their dedication and professionalism demonstrated when discharging their functions. Finally, I would like to thank my deputy, Mark Rutherford, who stepped into the breach during my unexpected and prolonged absence.

Steve Brennan

Chief Executive

3. 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, ongoing 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 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 do 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
- Mandatory visits to operators to comprehensively monitor their activities
- Weekly website checks and pre-programmed inspections on remote assets
- Complaints handling

4. The Commission



Claire Milne

Claire Milne is the Chair person for the Isle of Man Gambling Supervision Commission.

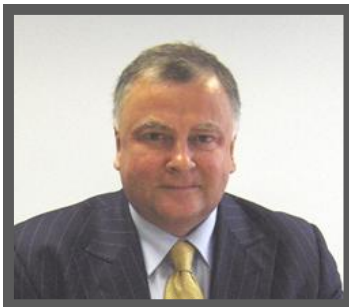
Claire Milne is a qualified solicitor and Manx Advocate who is a partner in a leading firm of international advocates. Mrs Milne has a background in intellectual property, IT law, data protection, e-money, e-commerce and e-gaming.

She is a published co-author of a book on Intellectual Property Law and Practice for Scottish lawyers and has lectured at the University of Stirling, the University of Dundee and is one of the contributors to the University of Edinburgh's LLM Distance Learning Programme.



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 60 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 ecommerce 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 LED-Direct importing and retailing LED light bulbs.



Jerry Carter

Jerry Carter is a practising Manx Advocate who specialises in contentious and non-contentious commercial work, compliance, general litigation and liquor licensing. Mr Carter obtained an Honours Degree from the University of Wales where he also received a University of Wales Golfing Blue. He was called to the Manx Bar in 1984 after being articled at Kelly Luft Stanley & Ashton, a leading legal practice on the Island. He is a founder member of the Licensing Forum in the Isle of Man; a member of the Isle of Man Law Society Council and a former Chairman of the Small Practices Association.



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.



Ron Spencer

Now retired, Ron Spencer was, until March 1999, the Operations Director of Merrill Lynch Investment Managers (formerly Mercury Asset Management Ltd) in the Isle of Man. He had joined the then S. G. Warburg & Co. Ltd. in 1967 and developed a considerable breadth of experience within the firm, including internal audit. 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.

Senior Management



Ty Smith

Steve Brennan

Mark Rutherford

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 that 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 Director he held senior positions within Isle of Man Treasury.

Mark Rutherford Policy & Legislation

Mark Rutherford is the director of policy and legislation within the Isle of Man Gambling Supervision Commission with 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 Operational Manager

Ty joined the Commission in February 2010 bringing with him 12 years worth of experience in compliance and management. As Operational Manager Ty's main responsibilities include planning and delivery of the GSC's compliance regime, management of the Inspectorate, budgetary control, and managing resources to ensure the GSC can meet the demands placed on it by its stakeholders. As a member of the Senior Management Team, Ty is responsible for input into the strategic planning process and the GSC's risk management strategy.

The Inspectorate



Kim Manning

Paul Streeter

Alison Bishop

Stephen White

The Inspectors are responsible for:

- Our ongoing compliance regime, ensuring that Manx gambling operations adhere to legislative requirements
- Undertaking a rigorous screening process of applications from prospective operators
- Implementing the commissions 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

5. Key Strengths

With over 50 years' experience of regulating the land based industry and almost 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 ongoing reform.

Business friendly fees

During the reporting period, the application fees remained at £1,000 to apply and there were still no additional charges for the work the Commission undertook to process the application. In September 2011 the application fee was increased to £5,000 but the full licence fee remains fixed at £35,000 and the sub-licence fee is fixed at £5,000: there are no hidden costs for extra work undertaken by the Commission.

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.

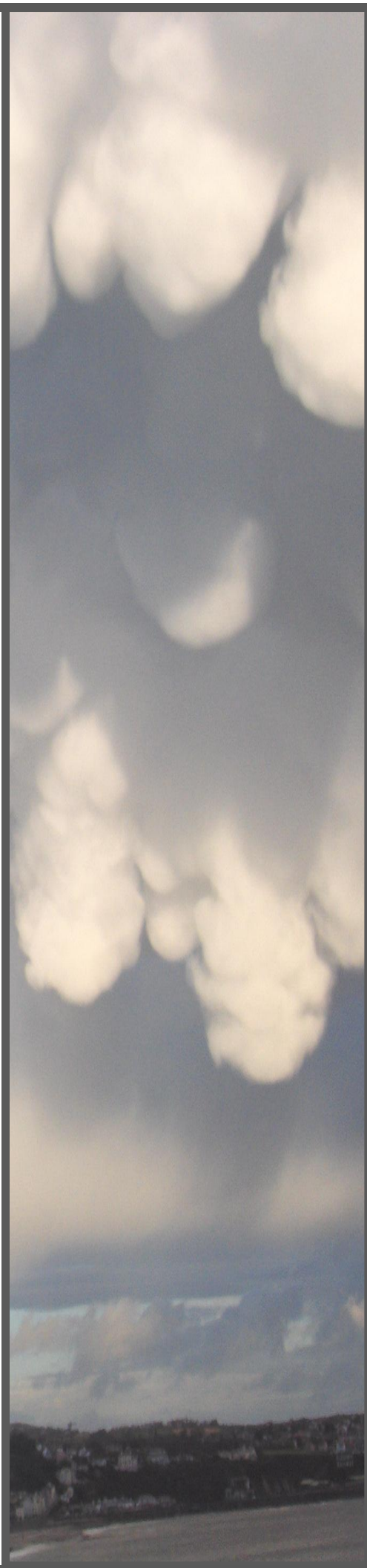
A track record of international cooperation

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, 2010 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.

Regular attendance of the European regulators forum (GREF) and its international equivalent (IAGR) remains a cornerstone of the GSC's international commitment.

A world class finance centre

The Island continues to be an international finance centre and a pace-setter in international financial agreements. The competitive 0% corporate taxation regime and the capped personal tax liability of £115,000 per person dovetail well with the abundance of excellent banking, legal and corporate service provision to be found locally, all of which makes the Isle of Man an attractive platform for business. The e-gambling fulfilment sector has grown since the passing in January 2010 of the new "exclusion regulations" which remove from licensing the common, risk-free activities undertaken by industry to support gambling operators such as marketing, software provision, back-office functions and affiliate work. Further, the announcement of a new type of OGRA licence – the network services licence – heralds a period of increased flexibility in the field of business-to-business relations between gambling operators licensed in the Isle of Man and global partners.



6. 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.

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 Commission's regulatory functions for, and supervision of, the gambling industry are strictly separated both at the ministerial and operational level from Isle of Man Government's economic development and marketing functions. This establishes the recognised and appropriate gap necessary for the avoidance of conflicts of interest during the approval and compliance process. It also has the effect of allowing each organisation to resource independently and pursue projects which improve the legal and commercial landscape for the future. Notwithstanding this separation which establishes a high degree of regulatory credibility, the inspectorate and the newly established Department of Economic Development continue to strengthen their cooperative ties, especially in the area of emerging new business models and their compatibility with Isle of Man legislation.

Meaningful protection of players' funds

Manx operators must protect player funds to the point where, in the event they become insolvent or is prevented from trading in any other way, the players are guaranteed their deposits plus any outstanding winnings, 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 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 welcomes the periodic IMF 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 ultimate control over licence holders to ensure they conform to the law.

7. Who We Regulate

The list of online licence holders as at 6/4/2011

Operator	Status	Operator	Status
Betting Fun IOM Ltd	Live	Pacific Sea Invests SA (Europe) Limited	Live
Bonobo	Live	Paddy Power Holdings Limited	Live
Boylesports (IOM) Ltd	Live	Pariplay	Live
Cash Ball Ltd	Live	Phumelela Gold International Ltd	Live
Celton Manx Limited	Live	Rational Entertainment Enterprises Ltd	Live
Chronicle Bookmakers Ltd	Live	Regent Markets (IOM) Ltd	Live
Cladstone Limited	Live	Sport 77 Media Group Limited	Live
Cube Ltd	Live	Sport Market Manx Limited	Live
Goaldash	Live	Sun Gaming	Live
Edict Egaming IOM Limited	Live	Viaden Gaming Limited	Live
Eurasia Sports	Live	Vuetec (IOM) Ltd	Live
Ho Gaming	Live	Webis Holdings plc	Live
iGaming	Live	Welton Holdings Limited	Live
JenningsBet (IOM) Limited	Live	Blueburra	Ceased
Know How Gaming Limited	Live	Foretal	Ceased
Logispin Manx Limited	Live	Gioia International	Ceased
Mandalay Gaming	Live	Golden Boys Bet Limited	Ceased
Mahjong Logic Limited	Live	Sports Betting One on One	Ceased
MarketstheWorld	Live	Takeout Technology	Ceased
NYX Interactive Network IOM Ltd	Live	TDL Sports Limited	Ceased
Novigroup Limited	Live	Trimark	Ceased

The land based industry

The year saw regulatory changes started or being brought to near-completion in response to sector requests to provide wider scope for operations:

- The overhaul of the 1997 Casino Regulations was finalised, significantly modernising and streamlining the operational scope of the Isle of Man's casino industry;
- The rules which determine how widely a society lottery (a charity or club) can be advertised were modernised;

The Isle of Man has had a land-based casino since 1962. The Isle of Man legislation currently carries the provision for up to two land-based casinos although only one of these has been in operation for the reporting period. A separate exercise, conducted by the Isle of Man

government and which will ultimately involve the GSC was ongoing throughout the year to determine the requirement for a second casino in the Isle of Man and to determine the licensee.

The amusements 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 echoing the decline in the popularity of the venues as a result of public-health reforms, the decline of traditional tourism and inevitably giving ground to online gaming, the operators in this area continue to experience sustainable revenue and the GSC remains open to suggestions from them for any reforms that could allow the sector to remain profitable for the future while maintaining the high regulatory standards that protect consumers.

The betting industry

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. This year saw the approval of a re-location and refurbishment of offices and there are currently three permit holders with eleven LBOs on the Island.

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.

The 2010-11 year saw the modernising of the advertising regulations, allowing society lotteries to advertise their draws more widely in the media, for example by using the internet, radio and newspapers.



8. Developments

On 20th November 2010 the Gambling Supervision Commission became a statutory board. As well as restating the primary regulatory objectives of fairness, consumer protection and the prevention of criminality, the Act 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

Over the course of the reporting year the Commission introduced a number of pieces of legislation designed ostensibly to improve the regulatory framework and therefore safeguard the Island's reputation and for the benefit of our stakeholders. The Gambling Supervision Act 2010, a primary piece of legislation, was introduced to remove the Commission from under the umbrella of Government and set it up as an independent statutory board. This provides the level of independence expected internationally of regulatory bodies such as ours.

Protection of player funds is one of the key tenets of the Commission consumer protection policy. The Online Gambling (Participants' Money) Regulations 2010, introduced in December 2010, enhance the Commission consumer protection options with regard to the safeguarding of player funds. The Commission already had a number of approved mechanisms to provide player fund protection, however, in response to business requests for a more straightforward and cost effective solution, these regulations were introduced which allows for a secure solution via a designated bank client account held with an Isle of Man bank. Finally the Gambling Supervision (Permitted Disclosures) Order 2010 came into force providing the Commission with the authority to disclose information to relevant public authorities to assist them in discharging specified functions such as excluding criminality and undesirable elements from gambling, for financial forecasting and the development of the Island's economy.



Proposed legislative changes

The legal framework regulating gambling on the Island is under constant review and the change process can be long and complex. The Commission commenced work on a number of pieces of legislation during the reporting period, the results of which will not come to fruition until next year.

A long awaited rewrite of the regulations governing the Island's casino is underway. This will provide a modern and more flexible regulatory regime, in line with industry standards, to the obligations the Casino must adhere to under licence. These regulations are expected in the second quarter of 2011.

Online gambling remains the innovative sector of gambling and as such new products require careful consideration of the regulatory framework need to support them. Work has commenced on regulations to ensure the effective supervision of online networks with an anticipated switch on in the second quarter of 2011.

The Island's charitable sector has long been a local supporter of good causes and uses the society lottery legislation to generate funds to support these causes. It has been recognised that the rules governing society lotteries in terms of the advertising media allowed to promote such needs updating and aligning to modern day media outlets. The Society Lotteries Advertising Regulations will expand the type of media such lotteries can use in order to raise the public's awareness to their offer. Work on these regulations is well advanced and they remain on target to be introduced in mid 2011.

Consumer protection

The Commission remains committed to consumer protection. Player fund protection is a key requirement of all 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 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 get no satisfaction from the licence holder or should they wish to exclude 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 fund is distributed between the Isle of Man Social Services and the GREaT Foundation, a UK based charity.

Isle of Man Social Services use 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 GREaT Foundation is a UK based organisation that provides help, support, research and education in the area of problem gambling. The Commission's support of this cause has been recognised with the Silver GREaTer donor award, which stands as testament to the contributions and support provided by the Island's industry to this highly valued service.

Advice

Open and transparent guidance is one 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 revised. This year saw a major revision of the external guidance to version 4. The revision contained an inclusion of the detailed requirements for directors whose presence in the Island running the operator's company is a key factor in maintaining regulatory control. During the year, the GSC has made 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. Three sessions were held during the year.

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 two 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 to be processed and monitored with same number of staff.
- Flatter structure to allow for an extra inspector.
- Favourable renegotiation of key contracts.

In addition, a recent accommodation move has been conducted in order to assist corporate Government to maximise efficiency and managing savings across its entire estate.

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 Department of Culture, Media and Sport
- UK Gambling Commission
- Nevada 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 an unprecedented 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, an important consideration as events that were to immediately follow the reporting period showed.

9. Player Issues

Complaints from players

While complaints remain very low in comparison to overall player numbers, the number of complaints during the period increased from 188 complaints during 2009-2010 to 249 complaints during 2010-2011.

Three factors account for this growth:

- An increase in overall player numbers using services from the operators in the Isle of Man due from 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 ongoing 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.	Resolved to the complainant's satisfaction
To keep the gambling industry crime free.	<ul style="list-style-type: none"> • Account Suspension • Withdrawal & I.D. difficulties • Rigging • Collusion • Other 	143	142
To protect the young and vulnerable	<ul style="list-style-type: none"> • Self Exclusion • Chat Issues • Marketing Issues • Other 	33	26
To ensure that games are fair	<ul style="list-style-type: none"> • Bet disputes • Games rules/ Terms & Conditions • Software/hardware issues • Other 	42	31

There were nineteen complaints during the period that the Inspectorate were unable to bring to a conclusion. These complaints have been unable to be progressed due to the complainant choosing not to continue correspondence with the Commission.

10. Our Accounts

Income and expenditure

	2009-10	2010-11
Income		
Gambling Amendment Act Fees and duty*	£87,914	£60,135
Terrestrial Casino licence fee	£185,323	£340,971
OGRA licence fees**	£670,828	£1,030,000
SUBTOTAL	£944,065	£1,431,106
Expenditure		
Salaries, pensions and misc. staff costs	£394,935	£399,547
HR costs (recruitment, training etc)	£0	£4,391
Office rent (inc utilities)	£62,599	£61,392
Professionals' fees (accountancy, legal)	£132,277	£112,219
Subscriptions	£7,640	£7,000
Travel, accommodation, expenses	£13,124	£17,500
Office equipment	£3,628	£2,919
Administration	£15,921	£6,097
Additional licensing costs (public notices, other)	£163	£431
Hospitality	£1,782	£1,072
SUBTOTAL	£632,069	£612,568
BALANCE	£311,996	£818,538

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..

11. 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 regulator's work in the coming months.

Consolidation of legislation

The Island's legislation for online and land based gaming is found in different pieces of legislation, some of which has not been updated for many years. It remains attractive to have all of the Isle of Man's legislation regarding gambling (whether online or terrestrial) in one principal piece of legislation.

The GSC is mindful of the significant piece of work comprised in consolidating and updating all relevant legislation. In order to move this initiative forward consideration was given to this matter during the past 12 months, however, given the number of more pressing legislative matters undertaken during the year, a viable window for the consultation to take place could not be identified. Now scheduled it is hoped that the consultation will be finalised for the end of 2013.

12. Our Annual Plan

Item	Description	Priority	Timetable
Ongoing 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 portfolio checks (which analyse a particular aspect of compliance across all operators simultaneously) per quarter; - Spot-checks on player fund levels; - Annual live-dealer facility checks; - Regular casino visits. - Monthly internet checks on the affairs of network operators' partners 	High	Ongoing
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	Ongoing
UK Whitelist	The UK's DCMS has indicated a desire to move its white-listed 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	Ongoing
Terrestrial tournaments	This predominantly legislative project will create the necessary foundations for the running of gambling tournaments – such as poker, for example – in Isle of Man venues other than Isle of Man casinos.	High	2011/12
External guidance for online applicants version 5	This major rewrite of the external guidance will include guidance for the new network services version of the OGRA licence as well as updates on various policies which have been necessary throughout the year.	High	3 rd Quarter (Oct-Dec 2011)
Continued representation in international forums	A continuation of the work in the IAGR working groups to establish sensible common standards between regulators; continued attendance of GREF and key legal conferences to understand developments and sentiments in Europe.	Medium	Ongoing
AML/CFT upgrade	A project to introduce procedural changes to the existing AML standards to keep them in line with prevailing international standards.	High	Ongoing

13. 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 20010-11 period	Performance during the 2010-11 period (average)	Summary of performance	Revised targets
Online applications	18 days	16 days	Pass	16 days
Casino applications	50 days decennial, 10 days on annual renewal	7 days to process annual renewal	Pass	7 days
Other land-based applications	5 days	3.5 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 20010-11 period	Performance during the 20010-11 period (average)	Summary of performance	Revised targets
Compliance inspection conducted in accordance with plan	95%	100%	Pass	100%
Compliance inspection feedback report to operator	Within 28 working days	23 working days	Pass	21 working days
Portfolio checks (thematic checks across all licensees)	2 per quarter	1.25 per quarter	Fail*	2 per quarter

***Notes to the inspection target failure:**

During the reporting period the GSC received more online gambling applications than it had estimated for. Resources remained focussed on application processing and primary compliance inspections. Additional resource was subsequently sought and secured.

14. 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 2011

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

- Defines gaming, the restrictions on certain gaming and gaming exemptions under the Act.
 - Sets out general restrictions on betting and provides for Licensed Betting Offices.
 - 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

Details the conditions under which Society Lotteries may 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.

