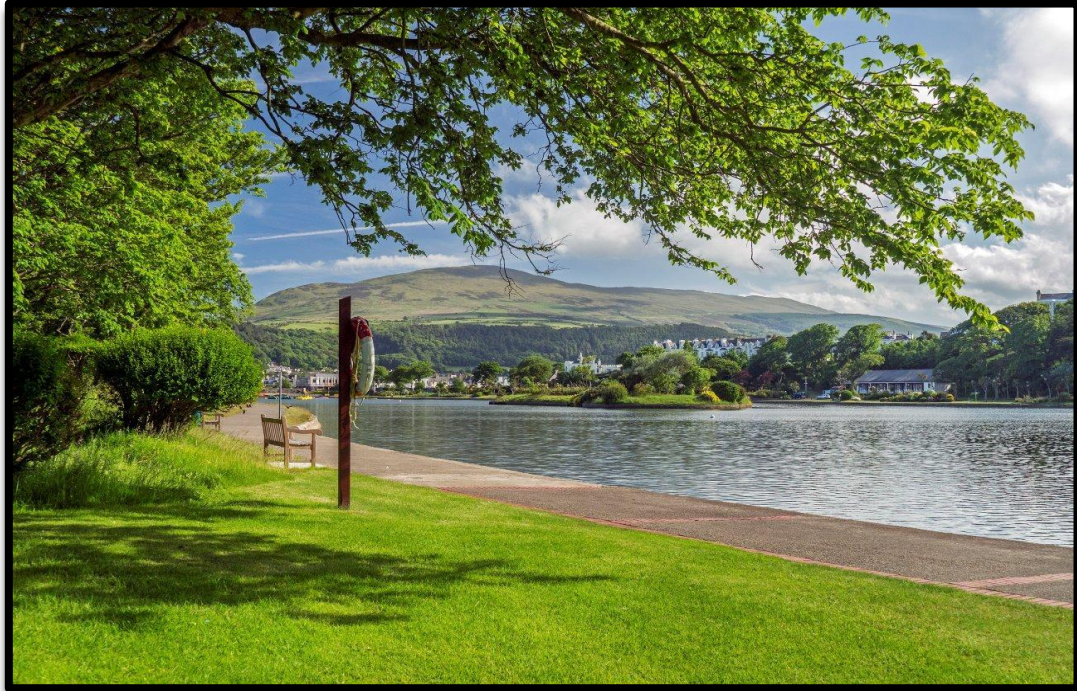


Isle of Man  
Gambling Supervision Commission



Annual Report  
2014 – 2015  
GD 2015/0039





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## **Chairperson's Statement**

The trend for change in the gambling industry continues unabated.

Reflected through the prism of the gambling regulator, this change splits into several key areas of interest.

In the economic sphere, the trend towards online gambling growth continues while the land-based sectors continue to have mixed fortunes. We have observed mergers and acquisitions throughout the year which included one of our licence-holders being acquired for \$5bn, a sure sign that a strong regulatory environment is no barrier to success.

In the technological sphere, the shift to mobile applications for online gambling continues. The online gambling sector remains an innovative and fast-moving sector which doesn't wait long before exploiting technological advances. Perhaps interestingly though, despite the proliferation of interesting social and video games, some of the most successful gambling products remain those that one would have found in a casino one hundred years ago. Technology does not only touch the online gambling sector and this year saw the GSC create the ability for terrestrial games to be delivered remotely to machines in pubs and clubs on the Island for the first time.

The final sphere of interest is of course the regulatory sphere. In this area too we see changes. As the number and complexity of the challenges facing consumers and operators grow, so too does the Commission's knowledge and understanding in areas such as sports betting integrity, gambling addiction and player fund protection.

The year saw unparalleled cooperation between the GSC and its international counterparts as they introduced their licensing regimes or tackled challenges which benefitted from dialogue. This can only be a welcome development in the regulation of gambling: a joined up approach between regulators with common purposes who have learned to trust one another and forge those connections which mean that the next great challenge can be understood and managed. One of those significant challenges is the prevention of money laundering and terrorist financing.

We read of continuing shortfalls in the AML/CFT controls of licensees in various jurisdictions. It is an issue which concerns every operator large or small, online or offline, in the Isle of Man or outside the Isle of Man. It is a challenge which requires a cooperative approach between regulators, operators and non-gambling competent authorities and it is a challenge which I am confident our team in the GSC is more than equipped to handle.

For the Commission, we are pleased to see the contribution our licensees, large and small, make to the Island's economy.

There are many stakeholders who share with us the responsibility of maintaining the hard won reputation and integrity of the Isle of Man on the global stage, including those who are constantly seeking opportunities to expand their operations and yet continue to be a good corporate citizen in the communities in which they operate and yet remain emphatic to those for whom their products are not just a source of enjoyment.

Finally, like the gambling sector, the Board of the Commission has undergone change during the year and I am pleased to welcome Suzanne Collins as a Commissioner replacing Neil Kinrade who retired from the Board. Neil served on the Commission for ten years and his knowledge and unstinting support has shaped the Gambling Supervision Commission into the well respected authority it is today. I wish him well in his future endeavours.

Change remains the constant in this environment and I present the Commission's annual report to you as it seeks to describe how we meet these challenges and the opportunities that they provide.

Ron Spencer  
Chairman

## **Chief Executive's Statement**

It is not only the end of another year for the gambling sector in the Isle of Man but it is also the end of a five year period of sustained hard work for the Commission which has been formulating a modern supervisory framework for the sector and forging links with international counterparts to share and learn from collective best practice.

While the current supervisory framework checks compliance with each and every aspect of legislation and policy, the GSC has always set aside resource to upgrade elements of the framework each year - in a modular, systematic fashion - and efforts over the past years with respect to the protection of players' funds, sports integrity and responsibility in gaming have yielded permanently enhanced supervisory regimes in these key areas.

Our focus now turns to the systems and procedures that the GSC and our licensees use to control the risks of money laundering and the financing of terrorism.

And our timing is no coincidence. As all nations must, the Isle of Man has recently conducted its national money laundering and terrorist financing risk assessment exercise. Coordinated centrally by Government and designed to answer FATF's recommendation that a risk-based approach is the best way to target finite resources to combat crime and terror, the national risk assessment was able to deliver two key facts to help the GSC bring optimal focus on to its ML/TF risks.

Firstly, of all the sub-sectors of the gambling industry that the GSC supervises, the national risk assessment highlighted online gambling as the sub-sector which required the greatest degree of control and oversight.

Secondly, the assessment - which used technology and processes supplied by the World Bank - made key recommendations for the GSC in respect of its framework. Some of these recommendations sit in the future and will require legislation (an example being a recommendation that the GSC acquire a more refined and proportionate suite of sanctioning powers) but others are already being addressed at the time of writing, not least of which are the recommendations that the GSC's regime for online gambling be moved to a risk-based footing (up until now it has been a rolling programme) and that the programme incorporate a far more rigorous sampling requirement.

As AML/CFT becomes the next item in our supervisory regime to be refined and upgraded, I am pleased to also report that our expertise and understanding of AML/CFT matters continues to go from strength to strength and our compliment now includes two graduates with

diplomas, at the highest level, in anti-money laundering and we are hopeful of creating a dedicated function within the GSC to handle this increasingly important international obligation.

As I conclude my thoughts on 2014/15 I am delighted to note that much of the work on solutions in respect of the national risk assessment recommendations is already well advanced or already in place.

It remains of course my great pleasure to extend my thanks to my Chairman, the Board of Commissioners and the Inspectorate for their continued hard work and enthusiasm over the past 12 months.

Steve Brennan  
Chief Executive



# The Gambling Supervision Commission

## Statutory Board

The Gambling Supervision Commission was established in 1962. The Gambling Supervision Act 2010 established the Gambling Supervision Commission as an independent Statutory Board setting out in law its status, constitution and regulatory objectives. In addition to the licensing and regulation of land-based gambling operations (casino, amusement and slot machines, betting offices and lotteries), the Commission also regulates all online gambling activities, which have grown significantly in recent years.

## Regulatory Objectives

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

- Ensuring that gambling is conducted in a fair and open way;
- Protecting children and other vulnerable persons from being harmed or exploited by gambling; and
- Preventing gambling from being –
  - i. A source of crime or disorder;
  - ii. Associated with crime or disorder; or
  - iii. 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 core principles are upheld 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.





## The Board of Commissioners



Ron Spencer - Chairman



Jerry Carter - Deputy Chairman



Jon Allen - Commissioner



Howard Callow - Commissioner



Suzanne Collins - Commissioner

## Commission Appointments

Appointments to the Board of Commissioners are made by the Treasury subject to the approval of Tynwald<sup>1</sup>. Treasury will appoint one member of the Commission to be the chairperson and another, the deputy chairperson. When making appointments Treasury must ensure that at least one member of the Commission is an advocate, barrister or solicitor of at least five years'

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<sup>1</sup> Tynwald is the Isle of Man's combined court consisting of the lower, legislative house (the House of Keys) and the upper, revising chamber (the Legislative Council).

standing, one member has experience of online business and one member has experience of gambling business.

A member of the Commission is appointed for a five year term and is eligible for reappointment on conclusion of that term.

## **Board Attendance**

The Board of the Commission meet on a monthly basis. In certain circumstances additional Board meetings are convened. For a meeting to be quorate a minimum of 3 Commissioners with one being either the Chairman or Deputy Chairman is required. Attendance at Board meetings for the period covered by this annual report is set out below:

**Table 1: Board Attendance**

<b>Name</b>	<b>Attendance</b>
R Spencer	13
J Carter	14
J Allen	11
H Callow	15
S Collins	1*
N Kinrade	10 <sup>#</sup>

\*Ms Collins' first Board meeting was on 5<sup>th</sup> March 2015.

# Mr Kinrade's final Board meeting was on 8<sup>th</sup> January 2015.

## **Accountability and Scrutiny**

The Commission is subject to scrutiny in the following areas:

- Tynwald through the approval of new Commissioners, new legislation and annual reporting;
- Government and Treasury: strategic objectives, legislative policy and proposals, budgeting and funding and establishment headcount;
- Industry: consultation on regulatory and supervisory proposals; and
- Other national regulators of licensees.

Additionally a Memorandum of Understanding has been signed between the Commission and the Treasury setting out responsibilities and arrangements to ensure that the Commission is accountable to Treasury for its actions and clarifies the circumstances in which sensitive information might flow between the Commission and Treasury.

The division of responsibilities is based on four guiding principles:

- Clear accountability - Each Authority must be accountable for its actions, so each must have unambiguous and well-defined responsibilities;
- Transparency - Tynwald, the gambling and gaming industry and the public must know who is responsible for what;
- Avoidance of duplication - Each Authority must have a clearly defined role, to avoid second guessing, inefficiency and the unnecessary duplication of effort. This will help ensure proper accountability;
- Regular information exchange - This helps the Authorities to discharge their responsibilities as efficiently and effectively as possible.

## **Finance**

The Commission operates within a budget agreed with Treasury and within headcount as set out by Government. The Commission's income and expenditure, reviewed by the Commission and Government's Internal Auditors, is set out in appendix 3.

## **Corporate Plan - Strategic Objectives**

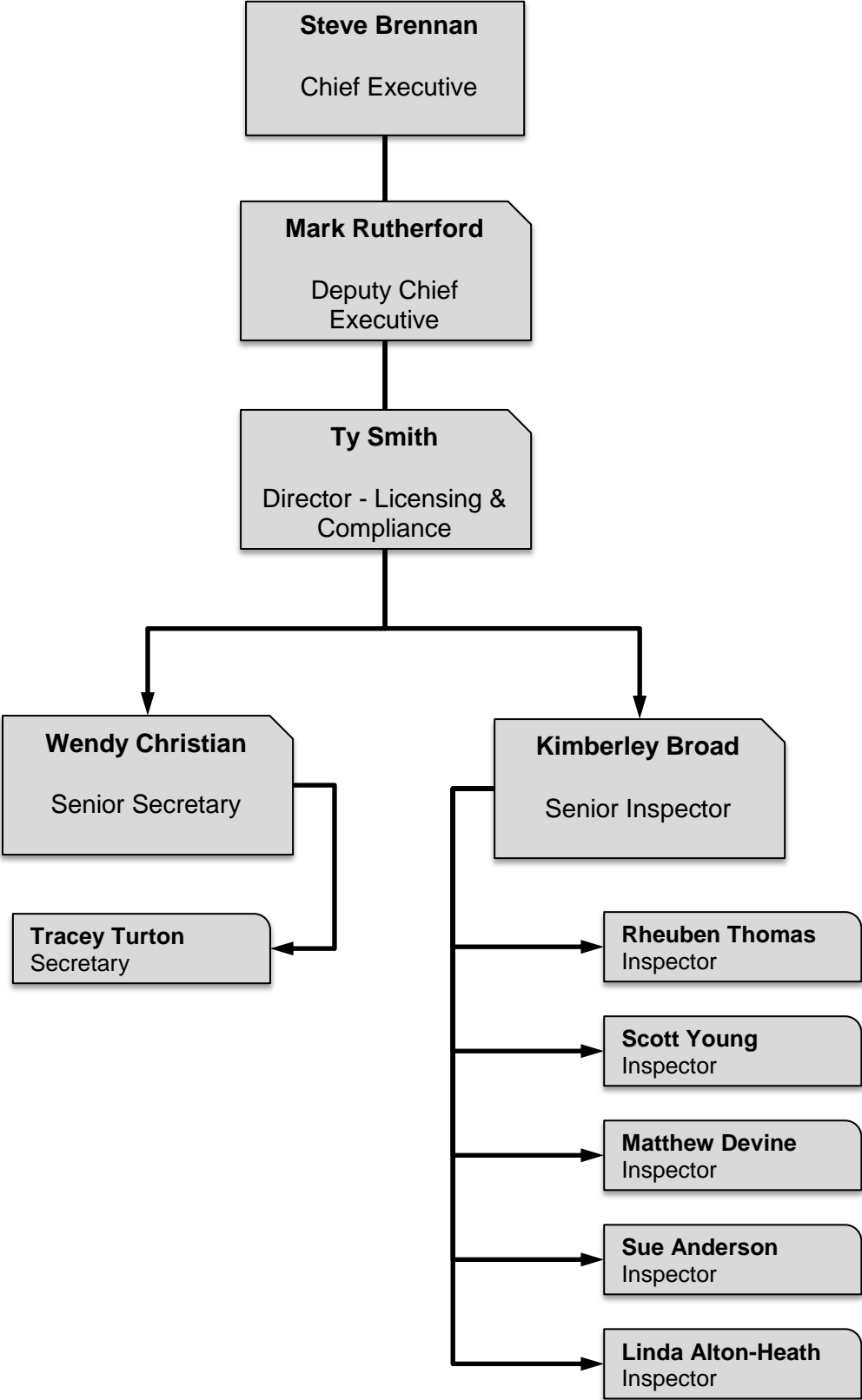
When discharging its functions, the Commission is mandated by law to have regard to a number of aims. When setting out its work plan, it is these aims to which we turn. The Commission's internal aims for the coming 3 years are:

1. Streamline processes through the use of technology - simplify and ease the process for collecting and uploading operator data submitted on a quarterly basis.
2. Develop a risk based approach for supervision in line with the Financial Action Task Force (FATF) recommendation 28 - create a risk-based approach which risk-rates licensees based on their size, inherent product risk, compliance history, special indicators (economic activity, adverse media) and their ranking by the national risk assessment exercise. Then, undertake supervision which varies in frequency and detail in accordance with the risk ratings.
3. Knowledge expansion and retention - our staff are our most important asset and the Commission will invest in their training and development for them to remain knowledgeable and effective in their sphere of expertise. Knowledge retention is an issue for the Commission and consideration will be given to strategies to manage knowledge retention effectively.

4. Build strategic partnerships and relationships with international regulatory authorities and world governing bodies - The Commission recognises regulation of gambling, and in particular online gambling, is maturing with increasing numbers of international regulatory and governing bodies developing their regulatory positions. Shared learning and input into the development of internationally recognised and accepted standards and best practice through the strategic partnerships and trusting relationships remain key to the Commission's work.



# Organisational Chart



# **The Gambling Environment**

## **Local Sector**

The sector, comprising of a casino, retail bookmakers, a slot industry primarily servicing the local hospitality sector and society lotteries organised and operated largely by third sector bodies or sports and social clubs, remains largely static. The primary legislation and regulations governing this sector have served it well, but there are some aspects which are showing their age and impacting the effectiveness and competitiveness of business in these sectors. The Commission undertook to review these aspects and, where deemed necessary, modernise legislation or regulations as appropriate. To that end the Commission has been working on a new piece of primary legislation, the Miscellaneous Provisions Bill 2016, which will go some way to address identified and agreed concerns. The Bill has completed its consultation period with feedback from the sector having been considered and included where appropriate. There remains much work to be done to progress the Bill through the Parliamentary process and into law and with other work priorities competing for limited resource, progress has been slower than desired. It is anticipated the Bill will move towards Tynwald's approval in the latter half of 2016.

Where accepted change can be undertaken outside of the primary law, the Commission has been able to act more quickly. The slot industry called for changes to slot machine stake and prize limits to bring it in line with industry standard. The Controlled Machines (Prescribed Amounts and Percentages) Regulations 2014 were introduced in July 2014 effecting that change. This change also allows for the sourcing of new machines built to that industry standard to be sited on the Island.

The issue of old law limiting the types of new machines that can be imported and located in the Island is also a concern for the retail bookmaking industry whose gambling machines come under different law than that of slot machines. Industry representatives and the Commission are in discussion, and working towards, the drafting of regulations that will allow for bookmakers to place approved modern machine stock, built to industry standards, within their premises. It is hoped the necessary regulations will be put before Tynwald in due course.

## **International Sector**

As the regulatory landscape in relation to gambling and in particular online gambling begins to change across the world, those changes can often be felt by the Isle of Man and its online gambling licence holders. The Commission constantly monitors the international environment to identify the changes being proposed and regulatory frameworks being developed.



There is always learning that can be gleaned or best practice that can be adopted to help better develop our own regulatory framework in support of consumer protection, fairness or keeping the industry crime free.

The Commission also has a responsibility to ensure gambling promoted by its licensees can compete effectively around the world.

The most significant impact to the Island's online sector has been changes to United Kingdom (UK) gambling legislation. The changes effectively removed the special exemption provision made under section 331(4) of the UK Gambling Act 2005 which 'Whitelisted' the Isle of Man for the purposes of its Act thus allowing the Commission's online licence holders to accept players from, and advertise in, the UK under their Isle of Man licence. The Isle of Man enjoyed this special exemption until November 2014 when UK legislation was enacted which revoked the special exemption provisions and introduced its own licensing framework for online operators wishing to accept players from, and advertise in, the UK. The immediate impact for Isle of Man licensees was either to secure a UK licence or withdraw from the UK market. With many Isle of Man licensees successfully attracting UK players, a large number opted to obtain the necessary licence in, and pay gambling taxes to, the UK.

Moving further afield, gambling regulation across the European Union (EU) remains in a state of flux. There is no sector-specific EU legislation for gambling services leaving individual member states with the responsibility to develop their own national measures and regulatory frameworks. However, some early national measures and regulatory frameworks developed by member states resulted in legal challenges from individual operators, trade organisations and some other member states. To help alleviate the increasing number of legal challenges and to avoid introducing sector specific EU legislation, the European Commission set up a group of experts on gambling services in 2012. This group provides the European Commission with advice and expertise for the preparation of policy initiatives. It also facilitates the exchange of regulatory experience and good practice between EU members. The Commission remains active in monitoring the development of these policy initiatives and when appropriate submits comments and views.

## **A Year in Review**

### **Revisions to the Regulatory Framework**

Like all other sectors the gambling sector and the broader environment in which it operates is in a constant state of change. It is the role of the Commission to understand this environment to ensure its regulatory framework remains effective. In August 2014, an amendment was made to the Online Gambling (Registration and Accounts) Regulations 2008 which provided operators with the ability to allow other facilities besides cheques to be used whenever a withdrawal cannot be paid back to the source from which it emanated, provided that facility still belongs to the player.

Consumer protection remains at the heart of the work of the Commission. One key aspect of this protection framework is the protection of player funds. Player monies were required to be held in a designated client account with that account held in an Isle of Man licenced bank.

However in response to the limited on-Island banking facilities available to operators and some new clients already with established banking relationships in other jurisdictions an amendment was made to the Online Gambling (Participants' Money) Regulations 2010. The amendment provided operators with the ability to use regulated banks outside of the Isle of Man for the holding of players' funds in specially designated protection accounts subject to certain criteria set out by Treasury.

New law and regulations were also brought in for slot machines in pubs and clubs. An amendment was made to the Controlled Machines (Prescribed Amounts) (No. 2) Regulations 2009 which increased the maximum prize money for controlled machines from £70 to £100.

### **Cooperation**

The Commission recognises it has a role to play in the ever changing regulatory landscape. We have long held the view that our operators will seek licences in multiple jurisdictions and it remains important to the Commission that we build trust with those regulators and where possible formalise relationships through Memoranda of Understanding, Letters of Intention and other such instruments. In the past Memoranda of Understanding have been signed with European counterparts including Denmark, Estonia, the United Kingdom and Malta. During the course of this year we have signed agreements with the Netherlands and our Channel Island colleagues of Jersey and Alderney. While these agreements do not change the Commission's obligations in law, they do provide a clear framework for cross jurisdictional cooperation in areas of regulatory best practice and sharing of intelligence. Additionally and of equal

importance is the development of trust and gaining of a deeper understanding of respective regulatory positions.

The knowledge and expertise the Commission has built up over recent years is often called upon by other regulatory authorities and Government advisors keen to develop their understanding of regulation in the online environment. In this regard the Commission has played host to a number of delegations from authorities or advisors including Japan, Tanzania, the United Kingdom, Jersey, the Seychelles and France. Additionally invitations to present to regulators and Government legal advisors in a number of US states were extended to the Commission and visits to California and Pennsylvania were undertaken, being well received by the regulators in those states.

The Commission continues to work hard to build constructive, pragmatic and globally responsible attitudes and systems in response to international challenges.

## **Sports Betting Integrity**

Inter-regulatory discussions typically cover ground which is common across all authorities. However, one subject that has increased in profile and discussion has been sports betting integrity or “match fixing” as it is more commonly labelled. Belief and trust in the fairness of the game is a fundamental tenet of all sport and something which sports corruption is undermining.

Regulators, sports governing bodies and law enforcement all have a role to play to combat the corruption of sport with cooperation and timely coordination key to its success. To underline its commitment the GSC signed a Memorandum of Understanding with Early Warning Systems GmbH (the integrity body that represents FIFA) in early 2014 and followed this up by signing a Memorandum with the International Olympic Committee (IOC) at the end of 2014. Discussions continue with another major sporting body regarding an equivalent Memorandum which is expected to be concluded in 2015.

In late 2014 the Commission was invited by the IOC to participate in the first International Forum on Sports Integrity (IFSI) in Lausanne, Switzerland as part of its Integrity Expert Group which also included representatives from world governments, the Council of Europe, the European Union, INTERPOL, Europol, United Nations agencies, sports betting operators and Olympic Movement stakeholders. It is expected the Expert Group recommendations will be ratified in mid 2015 by IOC President, Thomas Bach, and will form the basis of the Forum’s strategic roadmap to address the issue of sports integrity globally.

## **International Relations**

The Commission retains its membership of the Gambling Regulators European Forum (GREF), a body with the stated intention of primarily providing a forum in which European gaming regulators can meet, exchange views and information and discuss policy on gaming matters.

The Chief Executive of the Isle of Man Gambling Supervision Commission holds a role on the GREF Board and was elected vice-chair at its annual conference in Dublin. He also chairs its working group on technical matters, one of three working groups of GREF.

The Commission is also a Member of the International Association of Gaming Regulators (IAGR) a body consisting of representatives from gaming regulatory organisations throughout the world with the stated mission to advance the effectiveness and efficiency of gaming regulation. The Commission is often called upon to present at its annual conference on matters related to online gambling and regulation.

## **Player Fund Protection**

In the gambling sector the protection of player funds under law is unique to the Isle of Man and has served us well in the protection of our reputation. The overarching requirement is that in the event of an operator default (business failure, liquidation etc) the value of money deposited by players is able to be repaid. The approach used by most operators is to hold the players' money in secure specially designated protection accounts in Isle of Man licenced banks. However, the Commission keeps an open mind with regard to the mechanisms used to ensure repayment and, during the course of the reporting period, has been liaising with the insurance sector in its development of a product to insure players' money in the event of a default.

## **Anti-Money Laundering - National Risk Assessment**

During the year, the GSC undertook a review of its AML/CFT supervision with a view to improving the quality of the supervision. This process coincided with the Isle of Man's national AML/CFT risk assessment exercise and the outcome has been the formulation of a process which allows the supervisory regime to feed its results into the national risk assessment process (which is an ongoing exercise) and which also incorporates the national risk assessment outcomes into the supervisory regime.

The national risk assessment exercise proceeded through the whole of the year (it will be fully completed by 2016) and the gambling sector was assessed by Working Group 7 which was tasked with assessing all of the Island's DNFBPs (designated non-financial businesses and

professions – such as corporate service providers, accountants, advocates, payroll providers, estate agents and so forth). The Deputy Chief Executive of the GSC co-chaired Working Group 7 alongside a representative from the Isle of Man Law Society.

The exercise determined that of the five sub-sectors in gambling, online gambling represented the higher risk of money laundering and terrorist financing (the casino, licensed betting offices, machine suppliers and society lotteries being dwarfed by the size of turnover in the online sector). For this reason, the online gambling sector was selected for closer scrutiny, alongside corporate service providers, advocates and accountancy sectors.

National risk assessment seeks to determine the overall risk of money laundering in a given sector.

Risk is defined as threat multiplied by vulnerability.

In online gambling terms, the threat rises in proportion to the speed and volume of money that can be laundered. Specifically the threat to online gambling arises from criminals who wish to obtain a licence to conduct business so that they can co-mingle the proceeds of crime with cash from the business; from organised criminals who seek to defraud sites or other players from their money; from opportunistic players who identify opportunities to cheat and withdraw their funds; from people seeking to benefit from sporting matches they have manipulated and from criminals and terrorists who seek to use the systems of online gambling operations as a refuge for the proceeds of crime.

The national risk assessment found that overall the industry was faced with a medium-low threat level. Typologies which showed that criminals desired to use online gambling to launder funds did exist, but instances of serious, organised criminality within the regulated sector were rare and those instances where attempts were more common tended to be opportunistic, low-value, easily detected and short-lived. A number of high profile typologies (such as abuse of junkets) did not apply to the Isle of Man as those products were not offered by the jurisdiction's operators.

The vulnerability or otherwise of gambling is informed by the diligence of the licensing authority; the strength of the law for combatting money laundering; the quality of supervision; the sanctions that can be threatened and used against criminals and those who do not implement controls adequately; by the strength of operators' systems; the knowledge and integrity of their staff and by other considerations such as how easily a customer's identity can be independently verified and how easily the beneficial ownership of a business can be identified.

The national risk assessment exercise determined that the vulnerability of online gambling was medium.

The exercise used a framework and model supplied by the World Bank and when the model had been prepared with all of the variables necessary to calculate risk, it was also able to then make suggestions and recommendations.

The analysis for online gambling made three key recommendations:

- Upgrade the level of AML/CFT specific supervision further;
- Introduce a system of proportionate sanctions to encourage compliance and sanction non-compliance; and
- Understand the adequacy of the identification infrastructure that is available to licensees to obtain evidence of identity and verify the evidence of identity.

In response to the first recommendation, the GSC has upgraded its AML/CFT supervisory regime. The new process uses a bespoke tool to capture the data needed to confirm the validity of the variables used in the national risk assessment. It also applies a detailed AML/CFT supervisory regime over online licensees and measures the strengths of their controls. These measurements will in turn feed into a new risk-based methodology which will take into account the frequency and nature of future supervision based on compliance; the size of the operator; the risk inherent in the products and other factors.

In response to the second recommendation, the GSC will be examining the sanctions regimes operated by other gambling regulators and then consulting on proposed legislative changes to obtain a suite of powers that will satisfy the FATF's recommendations.

In response to the third recommendation, the GSC intends to undertake an exercise to clarify the identification, evidencing of identification and verification of identity followed by a separate exercise to evaluate the resources and systems available to operators to undertake these key tasks.

The GSC has also recognised from the exercise that it requires additional AML/CFT expertise and resource. In 2014, the Deputy Chief Executive obtained an ICA International Diploma in Anti Money Laundering and the GSC also recruited an inspector with MLRO experience and who also holds an ICA International Diploma in Anti Money Laundering. The GSC has also recognised the value of recruiting a full time, senior executive with full-time AML/CFT commitments.



## Anti-Money Laundering – Pending MONEYVAL Inspection

In April 2016 it is anticipated that the Isle of Man will be visited by representatives of MONEYVAL who will inspect the Isle of Man's compliance with the FATF's recommendations. The review will cover every aspect of compliance with AML/CFT requirements by Government, supervisors, law enforcement, the judiciary and each industry sector.

In preparation for this, a significant amount of background data is being collated in order to allow the evaluators to understand the context and relative strengths of the Isle of Man. The GSC is currently undertaking this exercise by completing a technical questionnaire (which describes how the Isle of Man's legislation has correctly interpreted the FATF recommendations) and by completing an effectiveness questionnaire (which describes how effectively the Island's institutions have implemented the legislation.)

It is understood that the MONEYVAL assessors may wish to speak with representatives from each of the sectors that are designated as regulated by supervision.

## Licensing and Compliance

The GSC faces a broad range of risks reflecting its role as a regulator for a diverse portfolio of gambling concerns. These range from charities who operate draws each year to raise £100 through to global online brands offering gambling products to players in multiple jurisdictions.

A number of risks arise from the licensing and supervision policies of the GSC and the respective appetites are shown in the table below:

**Table 2: GSC Risk Appetite**

Policy	Risk Appetite	Notes
Licensing land-based business	Medium-high	Because the Isle of Man has a small population, the Commission is prepared to offer greater opportunities to businesses that tap the local market in order to help them compete. However it should be noted that the GSC's risk appetite does not exceed that of the UK.
Licensing already-established online business	Medium-high	Existing businesses have proven to be consistently well run, free of financial uncertainty and aware of their responsibilities and duties to consumer protection and the regulator.
Licensing new	Medium	Statistics show that start-up business fares less well over the long term, often falling foul of business economics. Start-up

business		business tends to require disproportionately more supervision in order to remain compliant. Nonetheless, the Commission accepts start-up business when some licensing jurisdictions do not.
Protection of online players' funds	Negligible	The Commission has made very narrow exceptions to its requirement that all players' funds be protected at all times. Such exceptions recognise peculiar aspects of the particular operations and are rare. Consistently protecting players' funds has protected the Island from gambling scandals.
AML/CFT policy	Low, becoming negligible	The GSC recognises that it is a time of great change for AML/CFT measures and work is still underway to understand and implement the concepts announced by the FATF in 2012. It has a decreasing tolerance for shortfalls and deficiencies.
Operations in rest-of-world markets	Medium-low	The Commission recognises that not all jurisdictions have coherent or established legal positions for gambling. It expects its licensees to confirm the legality of their activities wherever those operations occur but does not proscribe territories.
Compliance with regulations	Low	The Commission takes great care to explain the legislative requirements to operators in guidance. It expects the operators to be operated by people of integrity and competence. It only tolerates compliance failures that have a credible explanation and that come with an assurance that the failure will not be repeated.
Professionalism and consistency	Low	The GSC prizes professionalism and consistency from its staff. It is recognised that the re-engineering of process and the training and orientation of staff is an ongoing process. Great efforts are expended to avoid shortfalls but the GSC tolerates the risk that they will occur.
Inefficiency	Medium	The GSC currently does not have an integrated IT system to control its licensing and supervision activities. It recognises that IT system implementations are slow, fraught with hidden expense and delays and are often expensive to maintain. It tolerates the risk of inefficiency of the current process in order to create the space to ensure any planned new system is specified and delivered correctly. A new system has been expected for over five years.
Personal integrity	None	Members of the GSC are vetted and are expected to act with integrity and honesty at all times. They are trained in anti-bribery legislation and a handbook explains their duties and obligations. The GSC does not tolerate wilful or negligent departures from its expectations.

## Licensing and Approvals

While the land based sector has remained largely static, 2014/15 has seen the number of new licensees approved for the various online licences available matched by an equal number of licensees that have withdrawn from the Island. Of those licensees that withdrew, 11 succumbed to the more challenging trading conditions emerging from a maturing international online gambling sector and one ceased to undertake licensable activity.

There has been a mix of business types across the new applicants considered and approved by the Commission. While the Island still attracts start-up businesses locating to the jurisdiction to benefit from the regulatory and business environment prevalent on the Island, more of the applicants were businesses already established and active in the sector seeking to locate some or all of their business in the Island.

The table below details the licensing and approvals undertaken by the Commission during the reporting period.

**Table 3: Licences and Approvals**

Licence or Approval Type	New	Renewal	Rescinded, or lapsed
Online licence application – Online Licence	9	1	9
Online licence application – Network Licence	1	0	1
Online licence application – Sub Licence	2	0	2
Disaster recovery service	0	4	0
Test facility service	2	4	0
Controlled machine supplier	0	0	0
Book making permit	0	3	0
Book making licence	0	9	0
Casino licence	0	1	0

A list of all current licensees can be found in appendix 1 and withdrawn licences in appendix 2.

## Supervision Programme

The GSC applies an extensive supervision programme over all its licensees including on site inspections, quarterly reporting and annual audits. As well as identifying non-compliance issues that require remedial action, the approach also provides a feedback loop for the improvement of the supervision framework. Changes to procedure, policy and legislation have been informed through this approach.

Significant changes arising from the supervision programme include:

- Additional licence conditions being developed and deployed across all online licensees clearing up an ambiguity in the law;
- A complete review of the quarterly reporting process, the objective of which was to ensure data submitted was necessary, consistent and the process for reporting was simplified and secure; and
- A review of player stake limit functionality to consider bringing it in line with emerging industry standards.

The table below sets out the type of supervision activity and the frequency it was undertaken over the reporting period.

**Table 4: Supervision Activity**

<b>Supervision Instrument</b>	<b>Occurrence</b>
Premises Inspection	42
Online Inspection	198
Annual Accounts Audit	59
Quarterly Returns Submissions	226
Ad Hoc Inspection*	181

\* Where any part of the GSC's supervision programme identifies an unusual circumstance, all operators are contacted and requested to report their respective positions. During the reporting period 8 such circumstances occurred resulting in 179 requests being made across all online licence holders.

## **Dispute Resolution**

All licence holders of the GSC are expected to offer a dispute resolution process should a player feel aggrieved by some aspect of their interaction with the licence holder. Where satisfaction has not been achieved, a player has the option to put their grievance to the GSC. The GSC will investigate the dispute acting as an impartial arbitrator.

While disputes between players and licence holders remain very low relative to overall player numbers, the number of disputes made to the GSC during the period increased from 580 complaints during 2013-2014 to a total of 826 complaints during 2014-2015.

This growth can be supported by a number of factors however it has become clear that the year on year growth in player complaints remains broadly proportionate to the numbers of players registered with GSC licensees.

It remains a key element of the GSC’s licensing and on-going compliance programme that the terms and conditions of registration and play are both clear and easily understood by players. The GSC also expects operators to 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.

When complaints are resolved in favour of players, the GSC can bring influence to bear on its licensees to seek a mutually acceptable settlement with the player(s). The GSC has no legislative powers to compel money in dispute to be held in escrow. In the reporting year one complaint was not resolved until after a licensee’s licence had been revoked. As a result, the GSC was unable to recommend a mutually acceptable settlement between the player and the departed licensee. The GSC is considering what powers may be appropriate in the future to address such a situation.

**Table 5: Complaint Resolution**

<b>Core Principle</b>	<b>Typical elements of complaints</b>	<b>Number of complaints</b>	<b>Number of complaints satisfactorily resolved</b>
To keep the gambling industry crime free	<ul style="list-style-type: none"> <li>• Account Suspension</li> <li>• Withdrawal &amp; I.D. difficulties</li> <li>• Rigging</li> <li>• Collusion</li> <li>• Other</li> </ul>	310	308*
To protect the young and vulnerable	<ul style="list-style-type: none"> <li>• Self-Exclusion</li> <li>• Chat Issues</li> <li>• Marketing Issues</li> <li>• Other</li> </ul>	110	110
To ensure that games are fair	<ul style="list-style-type: none"> <li>• Bet Disputes</li> <li>• Games Rules/Terms &amp; Conditions</li> <li>• Software/Hardware Issues</li> <li>• Other</li> </ul>	406	406

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

## Appendices

### Appendix 1 - Licence and Other Approvals as at 1st April 2015

<b>Operator</b>	<b>Licence Type</b>	<b>Status</b>
Annatar Limited	Online Licence	Live
Annexio Limited	Online Licence	Live
Asian BGE (Isle of Man) Limited	Online Licence	Live
Binary (IOM) Limited	Online Licence	Live
Blackbird Gaming Limited	Online Licence	Live
Bonobo PLC	Online Licence	Live
Boylesports (Isle of Man) Limited	Online Licence	Live
Celton Manx Limited	Online Licence	Live
Cladstone Limited	Online Licence	Live
Cube Limited	Online Licence	Live
Ever Adventure (IOM) Limited	Online Licence	Live
Galaxy Bet (IOM) Limited	Online Licence	Live
HoGaming Limited	Online Licence	Live
Joint Sports Betting Limited	Online Licence	Live
Knockout Gaming Limited	Online Licence	Live
Luxbet Europe Limited	Online Licence	Live
Mahjong Logic Limited	Online Licence	Live
MarketstheWorld Limited	Online Licence	Live
Mondogoal Trading Limited	Online Licence	Live
Novigroup Limited	Online Licence	Live
Pacific Sea Invests S.A. (Europe) Limited	Online Licence	Live
Paddy Power Holdings Limited	Online Licence	Live
Premier Gateway International Limited	Online Licence	Live
Velocity Wagering Limited	Online Licence	Live
Webis Holdings PLC	Online Licence	Live
Welton Holdings Limited	Online Licence	Live
Xela Limited	Online Licence	Live
Alliance Gaming Solutions Limited	Network Licence	Live
Cozy Games Management Limited	Network Licence	Live
International Gaming Cooperation Limited	Network Licence	Live
Microgaming Software Systems Limited	Network Licence	Live
Pariplay Limited	Network Licence	Live
Rational Entertainment Enterprises Limited	Network Licence	Live
Rational FT Enterprises Limited	Network Licence	Live
Tailorbet Limited	Network Licence	Live
TGP Europe Limited	Network Licence	Live
Fesuge Limited	Sub Licence	Live
Playstone Limited	Sub Licence	Live
Praesepe Online Limited	Sub Licence	Live



Sun.Gaming IOM Limited	Sub Licence	Live
Top Gaming Europe Limited	Sub Licence	Live
Tradagames (Isle of Man) Limited	Sub Licence	Live
Watchmore Limited	Sub Licence	Live
Wombat (IOM) Limited	Sub Licence	Live
Babylon Gaming Limited	Online Licence	Not yet live
Betmarble Limited	Online Licence	Not yet live
Iconic Bet Limited	Online Licence	Not yet live
International Multi-Media Entertainments Limited	Online Licence	Not yet live
Mersey Sports Limited	Online Licence	Not yet live
Redsharks Limited	Online Licence	Not yet live
VW Group Limited	Online Licence	Not yet live
Whale Gaming Limited	Online Licence	Not yet live
Palace Hotel and Casino Limited	Casino Licence	Live
Continent 8	Disaster Recovery Approval	Live
Domicilium	Disaster Recovery Approval	Live
Manx Telecom	Disaster Recovery Approval	Live
Wi-Manx	Disaster Recovery Approval	Live
Applus	Test Facility Approval	Live
BMM Compliance Australia	Test Facility Approval	Live
BMM Compliance Africa	Test Facility Approval	Live
BMM Compliance Singapore	Test Facility Approval	Live
BMM Compliance Macao	Test Facility Approval	Live
BMM Compliance North America	Test Facility Approval	Live
BMM Compliance Spain	Test Facility Approval	Live
Combitech AB	Test Facility Approval	Live
Eclipse Compliance Testing	Test Facility Approval	Live
eCOGRA	Test Facility Approval	Live
Enex Pty Limited	Test Facility Approval	Live
GLI Europe BV	Test Facility Approval	Live
GLI Canada	Test Facility Approval	Live
GLI LLC	Test Facility Approval	Live
Gaming Associates	Test Facility Approval	Live
iTech Labs	Test Facility Approval	Live
NMi Metrology and Gaming	Test Facility Approval	Live
QALab	Test Facility Approval	Live
QUINEL M Limited	Test Facility Approval	Live
SIQ	Test Facility Approval	Live
Trisigma B.V.	Test Facility Approval	Live
Island Automatics Ltd	Controlled Machine Supplier Licence	Live
Ken Joynes & Sons Ltd	Controlled Machine	Live

	Supplier Licence	
Onboard Leisure Ltd	Controlled Machine Supplier Licence	Live
Tournament Games Ltd	Controlled Machine Supplier Licence	Live
Bet a Bet Ltd	Bookmakers Permit	Live
Joe Jennings (IOM ) Ltd	Bookmakers Permit	Live
Willstan (IOM) Ltd	Bookmakers Permit	Live
Bet a Bet Ltd, Hailwood Court, Governors Hill, Douglas	Betting Office Licence	Live
Bet a Bet Ltd, 8 Douglas Street, Peel	Betting Office Licence	Live
Joe Jennings (IOM) Ltd, 5 Ridgeway Street, Douglas	Betting Office Licence	Live
Joe Jennings (IOM) Ltd, 7 Regent Street, Douglas	Betting Office Licence	Live
Joe Jennings (IOM) Ltd, 10 Prospect Terrace, Douglas	Betting Office Licence	Live
Joe Jennings (IOM) Ltd, 22 Castle Street, Douglas	Betting Office Licence	Live
Joe Jennings (IOM) Ltd, 4 Church Walk, Ramsey	Betting Office Licence	Live
Willstan (IOM) Ltd, 7/8 Castlemona Parade, Douglas	Betting Office Licence	Live
Willstan (IOM) Ltd, 12 Castle Street, Douglas	Betting Office Licence	Live

## Appendix 2 - Licences Rescinded or Returned during 2014/15

Operator	Licence Type	Status
Camasino Limited	Full	Ceased
Chelbis Limited	Sub	Ceased
Golden Boys Bet Limited	Full	Ceased
Keen Ocean Entertainment Limited	Full	Ceased
Locus Gaming IOM Limited	Full	Ceased
Lucky Online Investments Limited	Full	Ceased
Market Bet Global Limited	Full	Ceased
Quinella Games Limited	Sub	Ceased
Tedbets Limited	Full	Ceased
TWLV Gaming Limited	Full	Ceased
Vivant Limited	Full	Ceased
Oneworks Network Limited	Network	Ceased

### Appendix 3 - Income and Expenditure

Income	2013/14		2014/15	
	£	£	£	£
Gaming Betting & Lotteries Act Fees			1,530	
Gaming Amendment Act Fees			24,563	
Online Gambling Regulation Act Fees			1,704,612	
Casino Act Fees			299,629	
Other income			4,666	
<i>Gambling Amendment Act, Licensed Betting Office fees and duty</i>	28,206			
<i>Terrestrial Casino licence fee</i>	286,537			
<i>licence fees</i>	1,990,000			
<b>Total Income</b>		<b>2,304,740</b>		<b>2,035,000</b>
Expenditure				
Salaries	517,799		473,094	
Commissioners' remuneration			79,202	
HR costs	9,945		9,753	
Premises	2,570		1,696	
Professional fees	81,622		72,073	
Travel	19,632		27,290	
Operating Expenses			8,501	
<i>Office equipment</i>	7,199			
<i>Administration</i>	6,319			
<i>Additional licensing costs (public notices, other)</i>	1,805			
<i>Hospitality</i>	1,701			
Other Expenses			70	
<b>Total Expenditure</b>	<b>648,142</b>		<b>685,957</b>	
<b>Surplus for the year</b>		<b>1,656,598</b>		<b>1,349,043</b>

**Note:**

It should be noted that 2014/15 sees the GSC amend its reporting criteria primarily to ease the reporting process and in order to provide industry standard reporting. This has meant a re-categorisation of the 2014/15 income and expenditure profiles but 2013/14 details (shown in italic font) are provided for illustrative purposes.

## Appendix 4 - Annual Plan

Item	Description	Priority	Timetable
AML/CFT programme	<p>This project upgrades the AML/CFT regime for the online gambling sector and considers the introduction of a bespoke code for the domestic (terrestrial) gambling sector.</p> <p>The new AML/CFT programme will be a risk-based rather than a rolling programme and licensees will be graded for risk based upon the specific gambling models they operate and on their historic standards of compliance.</p>	High	On-going
On-going compliance programme	<p>The programme currently consists of:</p> <ul style="list-style-type: none"> <li>- One operator visit per month;</li> <li>- Weekly visits to licensee websites;</li> <li>- Quarterly checks on finances and significant events;</li> <li>- Two themed portfolio checks (which analyse a particular aspect of compliance across all operators simultaneously) per quarter;</li> <li>- Checks on player fund levels;</li> <li>- Annual live-dealer facility checks;</li> <li>- Regular casino visits;</li> <li>- Monthly internet checks on the affairs of network operators' partners.</li> </ul>	High	On-going
System requirement specification	<p>This project seeks to create a common regulatory IT platform to be shared with the IPA and possibly the FSC.</p>	High	On-going
Continued representation in international forums	<p>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.</p>	Medium	On-going
Miscellaneous Provisions Bill	<p>This predominantly legislative project will sweep up a number of inconsistencies and oversights that have built up over the last two decades as well as providing functionality for the transfer of casino licences and a modernisation of the gambling machines framework. The GSC is aiming to have the legislation ready for the 2016/17 sittings of Tynwald.</p>	Medium	2016/17

## Appendix 5 - 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 2014/15 period	Performance during the 2014/15 period (average)	Summary of performance	Revised targets
Online applications	16 days	11 days	Pass	14 days
Casino applications	7 days on annual renewal	6 days	Pass	7 days
Other land-based applications	3 days	3 days	Pass	3 days

### Adherence to inspection targets

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

Activity	Target during the 2014/15 period	Performance during the 2014/15 period (average)	Summary of performance	Revised targets
Visits conducted in accordance with plan	100%	100%	Pass	100%
Visit feedback report to operator	Within 21 working days	16 days	Pass	Within 21 working days
Portfolio checks (thematic checks across all licensees)	2 per quarter	2 per quarter	Pass	2 per quarter

## Appendix 6 - Gambling Legislation

### 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.

## **Gaming (Amendment) Act 1984**

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

Regulations made and in force under this Act:

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

## **Casino Act 1986**

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

Regulations made and in force under this Act:

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

## **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.

Regulations made and in force under this Act:

- Bingo Nights (Prescribed Conditions) Regulations 2010
- Racing Nights (Prescribed Conditions) Regulations 2010
- Society Lottery Advertisements Regulations 2011

### **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. In addition, it provides for the proceeds of the public lotteries to be paid to the Public Lottery Trust or such other charitable purposes as may be specified.

### **Gaming, Betting and Lotteries (Amendment) Act 1996**

Makes amendments to the main Act.

### **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.

### **Gaming, Betting and Lotteries (Amendment) Act 2001**

Makes amendments to the main Act.

### **Betting Offices Act 2001**

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

### **Online Gambling Regulation Act 2001**

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.

Regulations made and in force under this Act:

- 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
- Online Gambling (Registration and Accounts) (Amendment) Regulations 2014
- Online Gambling (Exclusions) (Amendment) Regulations 2014
- Online Gambling (Participants' Money) (Amendment) Regulations 2010

## **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.

## **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 and in force under this Act:

- Gambling Supervision (Permitted Disclosures) Order 2010

## **Anti-Money Laundering Codes**

- Money Laundering and Terrorist Financing (Online Gambling) Code 2013:  
The provisions of the Money Laundering and Terrorist Financing (Online Gambling) Code 2013 impose requirements on online gambling businesses to establish procedures on combating money laundering and financing of terrorism, training and record keeping.
- Money Laundering and Terrorist Financing Code 2015:  
Contains provisions in line with the Financial Action Task Force's recommendations on combating money laundering and financing of terrorism & proliferation.





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