

Isle of Man Gambling Supervision Commission



Isle of Man
Government
Rollys Eilan Vannin

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

Telephone Number: +44 (0)1624 694331

Facsimile Number: +44 (0)1624 694344

E-mail: gaming@gov.im

Website: www.gov.im/gambling

Picture credits:

Catharine Devine (1), Isle of Man Department of Economic Development (40).

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Chairperson's Statement

We have conducted our national risk assessment, we have undergone our mutual evaluation exercise and now we are following up on the recommendations of MONEYVAL. I am of course delighted with how meticulously the inspection was conducted and I note that only one of the Isle of Man's sixteen priority actions applies to the GSC.

This priority action is to arrange for legislation that gives the GSC the ability to deploy a wide range of proportionate tools to encourage, and if necessary force anti-money laundering and countering the financing of terrorism (AML/CFT) compliance from gambling operators. This is an international standard and we intend to adopt the same set of powers that one would find in a typical European or UK regulatory counterpart. That work is well underway and I am confident that when I next present our annual report, those powers will be at our disposal.

It is also our aim to maintain progress with the excellent compliance levels that the gambling sector has achieved. This we will do by participating in the review of national risk being conducted by the Cabinet Office's AML/CFT function and by continuing to apply our risk-based supervision programme.

I note that the national risk assessment exercise and the MONEYVAL exercise both consumed significant amounts of the GSC's energies and while it is testimony to the professionalism and hard work of its staff that all of our commitments were met, I also recognise that the GSC's key risks this year are related to resource and so I have asked my Chief Executive Steve Brennan to commission a review that will look at the work we do and what we can do to improve staff retention.

As ever, I would like to thank my fellow Commissioners for their support this year. In particular I would like to thank the outgoing Jerry Carter for his work over the years and to welcome David Reynolds on to the board.

Finally I would like to thank my Chief Executive and his team for their efforts, particularly those on the nationally important AML/CFT initiatives, and I have great pleasure in presenting you with this annual report.

Ron Spencer
Chairman

Chief Executive's Statement

This year has been a balancing act and this report gives me an opportunity to reflect on whether we struck the right balance between competing priorities.

Our first challenge has been the MONEYVAL mutual evaluation review. Such a project cannot be confined to a single event nor even a single year. The effort to prepare for the visit stretches back to 2008 when the International Monetary Fund delivered its conclusions on the AML/CFT compliance of the gambling sector and recommended we obtain more resources, a requirement that was oddly prescient of our challenges in 2016/17. The work on mutual evaluation does not end when the evaluators leave the jurisdiction and indeed the project still continues as we enter the summer of 2017 with our efforts to obtain the legislative powers to enforce a variety of sanctions against non-compliant operators.

Our second challenge has resulted from the small size of the organisation and its unique position at the centre of a flourishing sector where record levels of employment mean that highly proficient staff who have knowledge of online gambling become extremely valuable assets. By the nature of our work, our staff work with the private sector and the private sector's ability to offer rewards that we cannot typically means we become vulnerable to staff loss once a staff member has completed their training.

Our third challenge lies in the speed with which our sector, and the online sector in particular, embraces emerging technology. The operators we supervise are technology-literate and many form the vanguard of early adopters. This is as true now as it was a number of years ago when telephone betting made the jump to the internet and then to mobile gambling. This year has seen the emergence of cryptocurrency as a medium for gambling, mostly in unregulated markets. We have also observed the rise of virtual goods available in video gaming environments used for gambling. We have moved to regulate these.

Have we got the balance right?

The MONEYVAL report did highlight shortcomings for us: we had adopted our risk based approach rather late in the day, but MONEYVAL were satisfied with what we had in place when they inspected us. The evaluation exercise consumed two of my most senior officers for a year and continues to consume one of them almost on a full-time basis. However I consider that our one priority action in the evaluation report – the acquisition of a suite of proportionate powers for the purposes of sanctioning non-compliant operators – to be a sign that we broadly got the balance right.

We have lost staff to the private sector each year for the last three years. These were highly capable and intelligent officers who we had trained (because there are no courses available that can train people to be gambling regulators) and who undertook all aspects of the executive's work: supervision, licensing and project work. None of the staff left because they did not like the GSC as a place to work. When we recruit now, we have to plan on having an officer for no more than three years. I view that as a sign that we do not yet have the balance right in this area.

We take the view that emergent technology can be a force for good and for ill and that the risks of such innovations are better managed through regulation than avoidance. However the overriding risk is a Rumsfeldian "unknown unknown" – we simply can't predict what use will be made of a rapidly changing technology that we think we understand. We can however remain open-minded and wrap a framework of mitigation around the trends we observe and test them against the risk we think we are controlling. By remaining adaptive, we hope to ensure that our sector can maximise the benefits that are available from new functionality whilst ensuring that

consumer protection and safeguards against criminal abuse are in place. Have we got the balance right? So far, we appear to.

I will close by adding my thanks to the Chairman's. My staff have responded to the pressures of large projects such as the MONEYVAL evaluation, to the pressures imposed by short-notice projects of national importance and to the pressures that inevitably arise in a small organisation when a staff member departs and their workload must be carried by those that remain until a new person can be recruited and trained. They have been highly professional and a credit to the organisation.

Steve Brennan
Chief Executive

The Gambling Supervision Commission

Statutory Board

The Gambling Supervision Commission (the GSC) 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 –
 - o A source of crime or disorder;
 - o Associated with crime or disorder; or
 - o 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 2016/2017



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 Tynwald¹. 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' 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.

This year sees the retirement from the Commission of Jerry Carter and the appointment of David Reynolds as his replacement. The constitution of the Commission requires at least one of its members to be legally qualified and David inherits this role from Jerry.

Commission Meetings

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. The licensing decisions of the Board for 2016/17 are shown below:

Licensing decisions 2016/17		
Type of licensee	Licences approved, granted or renewed	Licences declined or surrendered
Licensed betting offices	3 renewals	0
Land based casinos	1 renewal	0
Controlled machine suppliers	0	0
Online gambling operators	6 approvals 3 renewal 1 network upgrade	10 surrendered 4 withdrawn

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;
- Government's Internal Auditors: alignment of practice with published internal processes;

¹ 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).

- 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

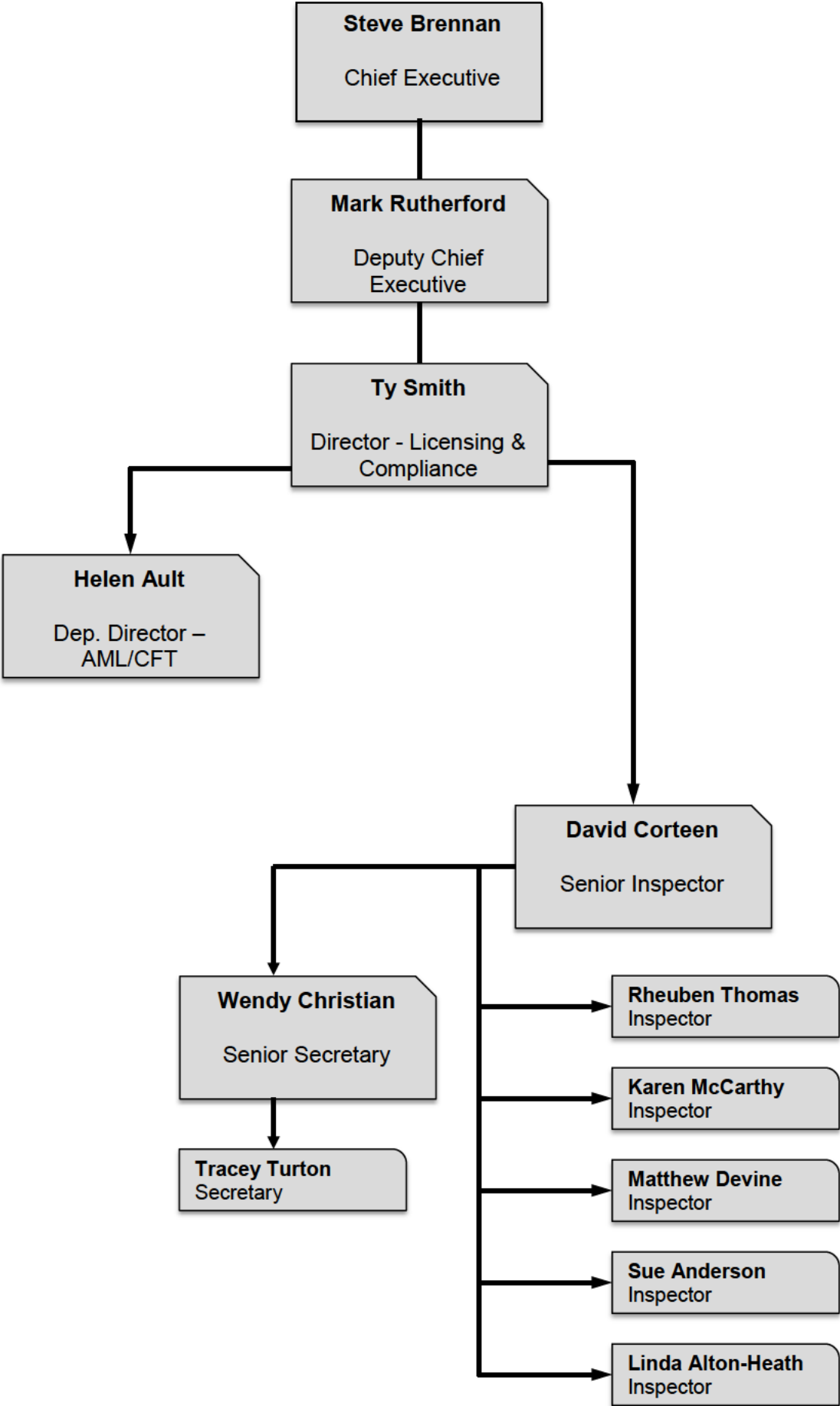
The Commission operates within a budget agreed with Treasury and within headcount as set out by Government. The Commission's income and expenditure, reviewed by the Commission and Government's Internal Auditors, is set out in appendix 2.

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:

- Streamline processes through the use of technology - simplify and ease the process for collecting and uploading operator data submitted on a quarterly basis.
- Refine the risk based approach for supervision in line with the Financial Action Task Force (FATF) recommendation 28 by determining which of the key factors (size, inherent product risk, compliance history, economic activity, adverse media) most accurately reflect AML/CFT risk.
- Knowledge expansion and retention - our staff are our most important asset and the Commission will continue to invest in their training and development for them to remain knowledgeable and effective in their sphere of expertise. Staff and knowledge retention is an issue for the Commission and consideration will be given to strategies to manage staff and knowledge retention effectively.
- 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 sector continues to report frustrations with the law that regulates land-based gambling, some of which dates back to the 1980s. While the GSC has made changes to regulation where it can, many of the changes that are now required affect primary law. The GSC has committed to reform which will be delivered in 2018/19 provided the GSC is given permission by the Council of Ministers to have the changes drafted.

International Sector

The international sector has experienced ongoing change during 2016/17, notably continued regulatory progress in Europe and disruption in parts of the Far East (primarily in the Philippines). The Commission constantly monitors the international environment to identify the changes being proposed and regulatory frameworks being developed.

The Isle of Man continues to be the preferred licensing jurisdiction for Asian-facing operations seeking Western connections. Dual licensing with the UK gives such operators the ability to benefit from the Isle of Man's excellent infrastructure and support industries whilst accessing advertising opportunities in the UK's sporting events.

A Year in Review

Exchange-of-Information-On-Request Review

Periodically the Isle of Man is subject to a review of its information exchange arrangements for taxation details. This is known as an Exchange of Information On Request (EIOR) review. This project is controlled by the Income Tax Division (ITD) of Treasury. The GSC was contacted by ITD in November to make a submission to the response document which outlined its regulatory powers and approach.

Small Countries Forum

The GSC makes itself available to anyone interested in its work and its experience. For a number of years it has made senior officers available for the annual reception of the Small Countries Forum. This Isle of Man project invites senior executives from the governments of smaller nations, including many from the Caribbean, Pacific and Africa, and gives their representatives a chance to understand how the Isle of Man operates. The reception is an opportunity to understand very different perspectives and as ever, the GSC's experience with online gambling is always of interest to delegates whose countries typically have no regulation in place for online gambling.

GREF Chairmanship & Plenary

The GSC's chief executive, Steve Brennan is also currently the chairman of the Gaming Regulators European Forum, one of only two international bodies where gambling regulators can meet and exchange experience. The Isle of Man has, in particular been able to share its recent national AML/CFT experience and forum members have been particularly interested in the process of national risk assessment, mutual evaluation by a FATF-style regional body and the follow-up process.

This year's GREF plenary was held in London and members had opportunities to understand national approaches to regulation including examples of how Norway and the Netherlands sought to protect citizens from social harms created by gambling. A panel exploring the thoughts of international regulators on the practicalities of combatting match-fixing and betting integrity issues in sport was found to be particularly useful by members, all of whom face the problem to one extent or another.

In his second year, Steve's term as chairman is drawing to a close and he leaves the post with a degree of reluctance: the position has allowed European colleagues to understand the Isle of Man's commitment to regulatory excellence and to feel comfortable sharing experience with it; it has afforded opportunities to forge strong relationships with a number of European regulators and while he leaves GREF stronger and more independent than when he first assumed the chairmanship, there is still work to be done on keeping the forum relevant and useful to members.

Nonetheless he wishes his successor Marja Appelman from the Netherlands the very best as she steps up as chairperson for her first year.

Betting Integrity Expert Group

Ty Smith, the GSC's Director – Licensing & Compliance, continues to serve as an Expert Member of the International Forum for Sports Integrity (IFSI). IFSI is multi-stakeholder initiative of the International Olympic Committee designed to review progress to date and

prepare a roadmap for future action in relation to match-fixing, manipulation of competitions and related corruption.

In addition to a number of other recommendations of the IFSI, a primary objective is for the creation of “national platforms” (as outlined in the Council of Europe Convention on the Manipulation of Sports Competitions – CETS No.215) in order to serve not only as an information hub for the international exchange of information/intelligence but also to provide a framework for gathering information/intelligence and taking appropriate action in relation to investigations at a jurisdictional level. This is a specific matter on which the GSC continues to encourage strategic discussion at a local level.

The GSC continues to identify key strategic partners for further Memorandums of Understanding (MoU's) to ensure that the fight to maintain sports integrity is sustained. One additional MoU has been signed during the reporting year between the GSC and the ESports Integrity Coalition (ESIC). This MoU directly ensures that a gateway exists to share selected integrity information in relation to the emerging market of e-sports.

An MoU between the GSC and the Norwegian Gaming Authority was concluded this year.

The GSC looks to continue its national and international co-operation during the coming year.

Virtual Currency/Convertible Virtual Currency reform

The Isle of Man Government's strategy for economic diversity includes an initiative to understand and support the use of block-chain technology. In recognition of this, the GSC reformed its legislation in 2016 and as of 1st January 2017 it has been possible to make a deposit of value with an online gambling operator with a virtual currency or convertible virtual currency. Gambling using virtual goods from video games is already very popular. Licensing makes it possible to exclude under-age players from this activity.

There is also a growing, and predominantly unregulated cryptocurrency gambling market. Licensing this activity mitigates a number of consumer-protection and AML/CFT risks and it is the view of the GSC that it is more prudent to regulate higher risk operations and gain detailed knowledge of operations than it is to prohibit such activity and effectively drive it underground. At the time of writing the GSC had approved two operators for licensing in this new area.

Brexit

The GSC maintains a watching brief on developments as the UK continues to negotiate with the European Union on the terms of its departure. Initial studies have suggested that the UK's departure from Europe will not disrupt the Isle of Man's gambling sector significantly because the Isle of Man is already considered outside Europe and has no dependencies on membership.

However it would be naive to anticipate that the changes in the UK-Europe dynamic will have no effect given the Isle of Man's close ties with the UK. The GSC's ongoing appraisal of the impact mirrors the broader efforts of the Isle of Man government to predict opportunities and issues as they emerge.

Changes to Machine-Based Games

The GSC supervises a small number of gambling machines available in licensed betting offices in the Isle of Man. A request to expand the types of game available to players was made by the bookmakers and the GSC agreed to the changes, and secondary legislation now permits additional games to be offered, which brings the offerings in line with those available to consumers in the UK.

The GSC is aware that while these machines do not cause significant problems in the Isle of Man because of the character of Island life, they do attract controversy in the UK. For this reason, the GSC is in dialogue with the bookmakers and awaits the findings of a piece of work being conducted by the UK's department of Culture, Media and Sport with interest.

Staff Retention

The GSC has continued to face difficulties during the reporting year and this is an area of deep concern for the organisation as a familiar cycle has developed where the GSC loses its staff to the gambling sector. There are numerous consequences of this cycle including haemorrhaging of knowledge, the resulting organisational issues in managing the departure and load experienced during the recruitment and acclimatisation period of the new recruit.

In order to address this matter the GSC has commenced a review of its retention strategy with the ultimate objective of being in a better position to retain its talented staff. It is anticipated that this review will be completed in first quarter of 2018.

Anti-Money Laundering Expertise

Two members of the GSC have AML/CFT qualifications and offer their expertise and experience to their counterparts in other jurisdictions as well as co-chairing the AML/CFT working group for one of the two international regulators' forums (the International Association of Gambling Regulators – IAGR). This year, the GSC made a significant contribution to research being conducted by a Swiss academic on the gambling industry and money laundering.

However during the reporting period, a third member of staff with an AML diploma, who in fact had achieved a distinction as a result of extensive industry experience, indicated that she was moving on from the GSC to a new job.

The General Data Protection Regulation

A significant change occurred in May 2016 with the entering into force of the European General Data Protection Regulation EU2016/679 (GDPR). GDPR will see the current requirements of the Data Protection Act enhanced in order to address the modern day issues surrounding the controlling and processing of personal data.

The GDPR brings a number of changes but, in essence, all businesses (both public and private) which hold an individual's personal data will be subject to enhanced requirements in areas including, but not restricted to:

- what constitutes personal data;
- an individual's access to their data and portability of that data;
- matters of consent and increased clarity over the use of personal data
- enhances erasure rights; and
- increased financial consequences for non-compliance with the regulation.

The GDPR will become enforceable in May 2018 and the GSC will be affected by these changes in much the same way as its licensees. Whilst it is not the enforcing body for the legislation which will support the GDPR on the island, it wishes to encourage its licensees to ensure that they are adequately prepared for the changes by seeking guidance as appropriate.

The GSC is aware of a number of private sector training courses which are being run in addition to guidance and seminars issued/delivered by the office of the Isle of Man Information Commissioner.

MONEYVAL

The Island was visited by a team of MONEYVAL assessors in April 2016. A report detailing the assessment of the Island's compliance with international standards for anti-money laundering and countering the financing of terrorism (AML/CFT) was published in January 2017.

The report's findings include confirmation of the Island's very high level of compliance in its AML/CFT legislation, its co-ordination of AML/CFT policies, its understanding of vulnerabilities through its National Risk Assessment (NRA), and its co-operation with other countries.

The report also highlights areas for improvement through various actions and priority actions. The priority action for the GSC was to introduce legislation to address shortcomings in the GSC's powers to supervise the AML/CFT compliance of the sector and its lack of a broad suite of proportionate and dissuasive sanctions available to address AML/CFT compliance failings.

The GSC arranged a well-attended presentation to industry on the findings of the report and the actions arising in February 2017. Work on the MONEYVAL actions will continue throughout 2017 with the Island reporting on its progress to MONEYVAL in early 2018.

Acquisition of an IT Solution

The GSC has committed in previous reporting years to its coalition project with the Financial Services Authority to create a multi regulatory IT system, required to streamline the process of demonstrating/achieving compliance for its regulated entities, ensure that the organisation can effectively manage its data, and deliver operational efficiencies.

During the reporting year work on this project has continued and significant progress has been made in regards to requirement capturing phase. Engagement with potential developers took place during March 2017 and it is anticipated that the procurement process will be completed by the end of December 2017.

Response to the Internal Audit

The GSC received the findings from its internal audit inspection during the reporting year and wishes to thank the Treasury Audit Advisory Division for its work and invaluable feedback in this regard.

Whilst the Audit Advisory Division was unable to identify any fundamental recommendations, it was able to identify a number of opportunities for the GSC where its current controls could be enhanced.

A number of these opportunities prompted direct action during the reporting year, and it is anticipated that improvements relating to the remaining opportunities will be implemented during the 2017/18 reporting year.

Changes to the Funding of Problem Gambling

Until 2014, the Isle of Man was a white-listed jurisdiction for the UK market. This meant that the UK was satisfied with the standards of protections offered by Isle of Man regulation and allowed Isle of Man based operators to offer products to UK consumers. Part of that white-list agreement was that the Isle of Man would ensure that its operators undertook their activity in a socially responsible manner.

To meet this requirement, the GSC received money from its operators which it then passed to a UK-based problem gambling charity and to the Department of Health and Social Security (as

it was then), the latter using the funds to contract with a local third-sector organisation specialising in the treatment of addiction.

When the UK changed its gambling legislation in 2014 the white list arrangement was no longer appropriate. A detailed consideration of the funding of problem gambling was undertaken with the Department of Health and Social Care (DHSC) and it was agreed that the funding model was no longer aligned with the needs of the Island or its global consumers.

The DHSC is now undertaking a joint needs strategic assessment of gambling addiction in the Isle of Man to assess the appropriate mechanisms that should be made available domestically and online operators are now required by the GSC to demonstrate how they best apply the requirement for social responsibility to the consumers and markets to which they offer product.

The Casino Bill 2017

The GSC began the process during the reporting year of moving the Casino Amendment Bill - a piece of secondary legislation which will ensure that:

- a casino licensee can transfer its licence to new premises without first surrendering it and re-applying for the same;
- the Council of Ministers have greater flexibility in relation to the requirements it places upon a concessionaire seeking to provide premises which are to be used as a Casino; and
- a MONEYVAL recommendation made during the 2016 visit is addressed. The recommendation required the GSC have explicit regulatory powers in relation to the oversight of any casino licensee for the purposes of AML/CFT purposes.

It is anticipated that this piece of legislation will complete its journey through the House of Keys and Legislative Council early 2018.

AML Working Group : International Association of Gambling Regulators

Since March 2016 the GSC has co-chaired the AML/CFT working group of International Association of Gaming Regulators (IAGR). The group meets at the IAGR conference each October and the Gambling Regulators European Forum (GREF) in May. The focus of the working group has been on AML/CFT, particularly the sharing of AML/CFT information in respect of national risk assessment and mutual evaluation exercises.

The group's co-chairs, currently Helen Ault of the GSC and Claire Pinson of ARJEL (France), aim to produce an "AML/CFT Benchmarking" white paper by Q2 2018. The paper will provide an overview of the gambling AML/CFT controls and international cooperation methods in use in IAGR and GREF member jurisdictions.

Money-Laundering Reporting Officer Forum

The GSC held the inaugural meeting of the Online Gambling Money Laundering Reporting Officer Forum in September 2016. The Forum is chaired by the GSC's Deputy Director of AML/CFT, Helen Ault and meets on a quarterly basis.

The Forum aims to provide a mechanism for the sharing of information, ideas and best practice across the sector. The forum has also provided an opportunity for informal discussion on forthcoming consultations. The quarterly meetings have been well attended and attendees have fed back that they find the Forum a positive initiative.

Risk Register 2016/17

The GSC's highest internal risks for 2016/17 primarily fell into three categories:

- resource stress arising from the MONEYVAL evaluation and possible follow-up actions;
- resource based risks, including:
 - o recruitment, retention and alignment with supervisory requirements; and
 - o succession planning for retirement and unexpected departure; and
- information control

This year, the MONEYVAL based risk has subsided because the quantity and nature of work arising from the report is understood and has been factored into the GSC's plans.

The GSC's highest risks are now resource and information related and work is underway to mitigate these risks in the future. Appendix 5 shows the detailed risks, aggravating factors and mitigations that the GSC had appraised at the time of writing this report.

Increased Due Diligence on Minority Ownership

Regulators commonly operate thresholds for ownership and control below which the checks that are conducted on a licensee's owners and controllers are minimal. For online gambling, the threshold is stringent (being set at 5%). Below this threshold, the GSC has historically never required detailed information.

However, having identified that such minority shareholders or controllers are effectively approved when the licence is issued but that they can subsequently increase their influence (by buying more shares or by being appointed to more senior roles) at a later date, the GSC introduced an enhanced level of checking which now requires that such persons supply a declaration of their background with respect to criminal, civil or regulatory sanctions.

If such a person subsequently increases their influence (and becomes subject to the enhanced checks that the GSC performs) then the GSC can compare this initial declaration the the findings of its enhanced diligence programme which is applied to all controllers and shareholders above the five percent threshold.

People who have failed to accurately declare their history risk being removed from the licensee.

Supervision Review

It is a fact that the burden of regulation on licensees tends to increase with time. This occurs because it is seldom a priority for regulators to review the old risks that their supervision was introduced to manage and to consider whether those risks have been eliminated through supervision. The GSC recognises this and conducted a review of its 5-yearly renewals process. The nature of the GSC's ongoing supervision means that a licensee's day-to-day affairs are understood by the GSC and the renewals process which traditionally saw the licensee re-submitting a full application pack on its owners, controllers and activities was revised to a simple notification of the intention to renew, saving both the operator and the GSC time and resource.

Survey of Controlled Machine Operators

The GSC met with the sub-sector of industry that supplies controlled machines (slot machines) to the Island's pubs and clubs. It was explained that the GSC intends to consolidate its gambling law in order to streamline the legislation and allow adaption to new developments

much more quickly. The discussion concentrated on the possibility of introducing a UK-style machine regime into the Island to replace the current, more limited framework.

International Regulatory Relations

The GSC continued to meet with international counterparts both at regulatory conferences such as the Gambling Regulators' European Forum and the International Association of Gambling Regulators plenary, and privately by hosting visits. This year the GSC received the UK on a visit to discuss mutual licensees. The GSC also met with a representative of the Bermuda constabulary and explained how the GSC supervises gambling in general, and online gambling in particular.

The GSC's chief executive, Steve Brennan, continued to steer the Gaming Regulators' European Forum as its chairperson and organised the annual conference which was held in London.

New Territories, New Risks

The reporting year saw the first approval of two licences for operations with significant markets within Africa. Typically, markets differ from continent to continent and the GSC adapts its supervision to take into account cultural and economic peculiarities whenever new markets become prominent. African markets are expected to be characterised by under-developed formal payment infrastructure and somewhat higher risks to politically exposed people. Accordingly, the licence that has been approved by the Commission will be monitored more closely than normal as the GSC continues to refine its understanding of what good African business looks like.

Domestic Authorities

The GSC already has the ability to exchange information with competent authorities in the Isle of Man and routinely shares application information with the Financial Services Authority, Customs & Excise and the constabulary. This year the GSC sought to expand its information sharing powers by agreeing a proposed memorandum of understanding on the use of intelligence supplied by the newly formed Financial Intelligence Unit.

Public-Private Sector Forum on AML/CFT Matters

The Isle of Man government hosts a quarterly meeting known as the AML/CFT Advisory Group. The meeting brings together representatives from the competent authorities and from key sectors in industry that are subject to oversight and regulation. The group discusses trends in regulation and raises issues that are generally addressed outside the group by the relevant agencies. The GSC regularly attends this group and the gambling sector is represented by a private sector attendee as well.

Public-Private Sector Forum on Legislative Change

It has been a year of significant legislative change for industry in the Isle of Man and to ensure that legislation doesn't have unintended consequences, government not only publicly consults but also draws on representatives from the regulated sector for their views. This occurs in a forum convened by the Department of Economic Development called the Regulations and Legislation Working Group. As the gambling sector's contribution to the Isle of Man's gross domestic product is now very significant, the GSC has been invited to attend this forum.

2016 Regulations

A number of regulation changes were made during the 2015/16 and 2016/17 years (detailed in our previous annual report) creating a number of opportunities for business and improving on the protections that consumers can choose from to help them keep their gambling from becoming harmful. These regulations became active on 1st January 2017.

Anti-Money Laundering and Countering the Financing of Terrorism Strategy

The Isle of Man Government published its 2017-2020 Financial Crime Strategy in August 2017.

The document highlights the Government's high-level policy commitment to maintaining a 'robust, zero tolerance stance' against money laundering and terrorist financing. The document also comments on the findings of the Island's AML/CFT National Risk Assessment and the 2016 MONEYVAL Mutual Evaluation Report.

The Government's strategy is underpinned by the following four priority objectives which are:

- Understanding the money laundering and financing terrorism threat, risks and harm facing the Isle of Man;
- Ensuring that the Isle of Man is a hostile jurisdiction for money laundering and the financing of terrorism;
- Pro-actively identifying and pursuing offenders; and
- Taking the benefit out of crime

The GSC fully supports the Government's strategy and will be consulting on its own AML/CFT Strategy and policy for the use of the sanctioning powers available in the Gambling (AML/CFT) Bill for dealing with non-compliance in Q4 2017.

A New Anti-Money Laundering Bill

In response to the findings of the Island's first National Risk Assessment and the MONEYVAL Mutual Evaluation Report relating to the GSC's supervisory powers, the GSC has been working with legislative drafters on the Gambling (Anti-Money Laundering and Countering the Financing of Terrorism) Bill 2017.

There was a successful and productive consultation on the Bill in January 2017 and at the time of writing, the Bill has already received first and second readings in Keys and it is anticipated that the Bill will achieve Royal Assent ahead of the January 2018 sitting of Tynwald.

The Bill sits alongside the existing primary law that sets out the GSC's powers in respect of general compliance, the "Gambling Acts".

The Bill, once enacted:

- provides the GSC with formal powers in primary legislation to conduct supervisory oversight of all of its gambling operators with the AML/CFT legislation; and
- provides the GSC with a wider range of administrative sanctions designed to dissuade licensees from failing to comply with AML/CFT legislation.

Consolidation of Gambling Law

It remains the ambition of the GSC, as it has been since 2009, to consolidate and streamline the gambling legislation it oversees in order to create a principles-led Act with product based regulation (rather than one Act of Tynwald per product). While the Council of Ministers and The Treasury Department have now given permission for the GSC to create a requirement for the drafters, no substantial progress has been made on this project because of competing pressures on resource.

Common Testing Standards Initiative led by the International Association of Gambling Regulators

Online games are tested independently by test laboratories who certify that the games are fair, particularly with reference to the randomness of outcomes. The certifying requirements between different jurisdictions vary significantly. For this reason a working group has been set up by the International Association of Gambling Regulators (IAGR) to explore the concept of a common testing regime. The group has made significant progress in the years that it has operated and work on the project, known as the Multi-Jurisdictional Testing Framework, continues. In a parallel development, the GSC now unilaterally accepts test certificates issued to the standards of any country with whom it has concluded an information sharing agreement.

Consultations

The GSC recognises the value of consulting on changes in law and policy and often consults on policy changes and secondary legislative changes. The following consultations were conducted during the year:

Consultation issued	Description
April 2016	Formal consultation on 2016 Regulations pack, specifically changes to test certificate requirements, elective controls to help gamblers control gambling activity, refund arrangements for unspent network fees, abolition of network partner fees, acceptance of virtual currency as deposit mechanism.
October 2016	Informal consultation on the rules pertaining to minority shareholders (5% or under) to capture any history of administrative, civil or criminal sanctions in an individual's past.
January 2017	Informal consultation on the GSC's policy approach for adoption of administrative sanctions for operators' non-compliance with AML/CFT requirements. Note that the formal consultation on the subsequent draft legislation launched in May 2017.
February 2017	Formal consultation on the Casino (Amendment) Bill 2016. This Bill changes the law so that an Isle of Man terrestrial casino can change premises without surrendering its licence. Separately it removes a mandatory 20% deposit to secure a licence on a yet-to-be-built casino and makes the requirement for the deposit, and its value a matter decided at Council of Minister's discretion.

Freedom of Information Requests, and Equivalents

The GSC received one request under the 2016 Code of Practice on Access to Government Information. The person requesting the information wanted to know how much money industry had supplied to charities in the Isle of Man to help them address problem gambling. The

substance of the enquiry is contained in a subsequent question that was tabled in the House of Keys 22nd November 2016 sitting.

Whistle-blowing Incidents

There were no instances of whistle-blowing during the year.

Bribery and Corruption

No reports of bribery or attempted bribery were made under the Bribery Act 2013.

Complaints against the GSC

At the start of the year there were no open complaints. No complaints were received during the year. At the end of the year there were no open complaints.

Progress against the Corporate Plan 2015/16

The plan of the GSC is designed to deliver improvements to its regulatory effectiveness.

Last year's plan was:

Item	Description	Priority	Timetable
AML/CFT programme	This project continues to embed the risk based approach for AML/CFT.	High	Executed
On-going compliance programme	The programme currently consists of: <ul style="list-style-type: none"> - One operator visit per month; - Weekly visits to licensee websites; - Quarterly checks on finances and significant events; - Occasional themed portfolio checks (which analyse a particular aspect of compliance across all operators simultaneously); - Checks on player fund levels; - Annual live-dealer facility checks; - Regular casino visits; - Monthly internet checks on the affairs of network operators' partners. 	High	On-going
System requirement specification	This project seeks to create a common regulatory IT platform to be shared with the IPA and possibly the FSA. Work commenced on this project in 2015/16.	High	On-going
Continued representation in international forums	A continuation of the work in the IAGR working groups to establish sensible common standards between regulators; continued attendance at GREF and key legal conferences to understand developments and sentiments in Europe.	Medium	On-going
Legislative rewrite	The GSC intends to redraft its key gambling Acts so that changes to developments in the gambling sector can all be achieved using secondary law alone.	High	Insufficient progress

Of the items present in last year's plan, 4 were executed or ongoing and one (legislative rewrite) failed to secure sufficient resource to continue beyond preliminary discussions with the terrestrial sector and stakeholders in Government.

Unexpected Items

The MONEYVAL evaluation exercise consumed resource in excess of expectations, primarily because the degree of follow-up work that was required after the initial exercise in order to help refine the final report and clarify information points.

The GSC was also asked to participate in a tax transparency exercise required by the Organisation for Economic Co-operation and Development. This was somewhat at short notice and this work had not been anticipated in the GSC's plan.

Licensed Online Operators in the Period

Licensee	Licence type
Paddy Power Limited	Full
NoviGroup Limited	Full
Rational Entertainment Enterprises Limited	Network
Binary (IOM) Limited	Full
Cube Limited	Full
Webis Holdings Plc	Full
Premier Gateway International Limited	Full
Celton Manx Limited	Full
TGP Limited	Network
Mahjong Logic Limited	Network
Welton Holdings Limited	Full
Alliance Gaming Solutions Limited	Network
MarketsTheWorld Limited	Full
Pariplay Limited	Network
Tradagames (IOM) Limited	Sub
Annexio Limited	Full
Xela Limited	Full
Velocity Wagering Limited	Full
Cozy Games Management Limited	Full
Rational FT Enterprises Limited	Network
Galaxy Bet Limited	Full
Asian BGE (IOM) Ltd	Full
Wombat IOM Ltd	Sub
Top Gaming Europe Limited	Sub
Knockout Gaming Limited	Full
MondoGoal Trading Limited	Full
LuxBet Europe Ltd	Full
Praesepe On-Line Limited	Sub
Fesuge Limited	Sub
Annatar Limited	Full
Playstone Limited	Sub
International Multi-Media Entertainments Limited	Full
Mayfly Entertainment Limited	Full
Mersey Sports Limited	Full
Nous Global Limited	Full
Babylon Gaming Limited	Full
Eurorace Limited	Full
Hollywoodbets International Limited	Full
Totus Limited	Full
Solar Spirit Gaming Limited	Full
Microgaming Software Systems Limited	Network
ESP Limited	Full
Infinity Gaming Solutions Limited	Full
Sporaga Limited	Full
Mustard Sports Limited	Full
SP International Limited	Full
SK IOM Limited	Full

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.

MONEYVAL's visit coincided with the GSC's move to a risk-based approach for its AML/CFT supervision. The move to a risk-based approach has taken two years to create and implement and the 2016/17 year has been a good opportunity to not only test the new approach but to also create a bench-mark for the online sector against which future progress can be measured.

The introduction of the risk-based approach has meant that certain thematic reviews that were conducted each quarter have now been replaced by risk-assessments of key areas. It is anticipated this will reduce the compliance burden on online operators.

Appendix 1 shows the detailed supervision programme for 2016/17.

AML/CFT Supervision

Terrestrial Visits including AML/CFT:

AML/CFT inspections of the terrestrial gambling sectors are undertaken on a scheduled basis:

- 7 casino visits in 2016 with AML/CFT included.
- 3 bookmaker visits in 2016 with AML/CFT included.

Online Visits including AML/CFT

AML/CFT inspections of the online gambling sector have been conducting using risk-based methodologies since Q1 2016.

Each operator has been subject to a full standalone AML/CFT inspection. The results of that inspection plus a consideration of other factors (size, product offering, adverse information, etc.) will then determine the next type of visit, being either:

- A further full standalone AML/CFT inspection;
- A lighter touch AML/CFT health check as part of a general compliance visit; or
- A standalone AML/CFT health check which can result in detailed AML/CFT follow up in certain areas.

AML/CFT Compliance

80% of operators in 2016 achieved 80% or higher compliance in their AML/CFT reports.

9 operators had an AML/CFT visit in Q1 2016 or Q2 2016 and a follow up in Q4 2016 or Q1 2017; compliance scores improved in 5, remained the same in 3 and decreased in 1.

On the second visit, each scored 70% or higher. Specifically there were:

- 3 operators at 100% compliance,
- 2 operators at 90% compliance,
- 3 operators at 80% compliance,
- 1 operator at 70% compliance.

In 2016 deficiencies included deficiencies in the application of:

- Risk-based approach (18 / 40 scheduled and follow-up visits)
- Enhanced due diligence (14/40 scheduled and follow-up visits)
- Customer due diligence (10/40 scheduled and follow-up visits)
- Staff vetting & training (6/40 scheduled and follow-up visits)
- PEP/sanctions screening & culture-related (3/40 scheduled and follow-up visits)
- Ongoing monitoring / record keeping (1/40 scheduled and follow-up visits)

In 2016 15 out of 40 visits were assessed as 100% satisfactory.

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.

Core principle	Number of complaints received	Number of complaints resolved
Excluding crime	118	117
Protecting young & vulnerable	26	26
Fairness in gaming	113	113

The GSC works with licensees to ensure refinement takes place in areas such as terms and conditions, however the biggest impacts during this year continue to be due to the GSC no longer dealing with complaints for UK based players (under the UK Gambling Commission's rules these complaints should be directed to an approved dispute resolution provider contracted by the licensee).

Appendices

Appendix 1 – Supervision Activity 2016/17

The following table shows the visits undertaken in the period:

Licensee general compliance visits 2016/17	
Type of operator	Visits
Licensed betting offices	9
Casino	11
Online gambling companies	25

In addition to general compliance visits, the GSC also conducted detailed, specialised anti-money laundering visits on its online gambling licensees.

Licensee AML/CFT compliance visits 2016/17 – online licensees	
Full visit with report	
	10

A number of online licensees use the services of third parties to supply live-dealer services. These third parties are not licensed by the GSC and are globally distributed. It is a condition of the licence that the GSC is permitted to inspect the services and a licensee cannot use a studio that refuses to be inspected. Approved test laboratories act as the GSC's inspectors and the test personnel travel to the site and inspect it to the GSC's requirements before producing a detailed report for the GSC.

Live dealer studios are inspected every year.

Live dealer studio inspections during 2016/17	
Checks completed	
	9

In addition to visiting licensees, the GSC also requires licensees to make returns.

Licensee returns submitted to the GSC during 2016/17 period	
Type of return	submissions
Casino unusual incidents	12
Casino return-to-player reports	4
Online gambling quarterly reports	160

This table shows the information that is obtained from each return.

Return type	Details and purpose
Casino unusual incidents	<p>These reports detail disturbances, injuries and emergencies at the casino.</p> <p>The GSC uses this return to check that gambling isn't becoming a source of crime or disorder.</p>
Casino return-to-player reports	<p>These reports show the return-to-player values for each machine in the casino.</p> <p>The GSC uses this return to check that gambling machines in the casino are paying out fairly.</p>
Online gambling quarterly returns	<p>These reports show:</p> <ul style="list-style-type: none"> - reportable incidents; - AML data such as player numbers on the database and the number of suspicious activity reports filed to FIU; - The value of players' funds held by the licensee; - Financial data on each licensed product; and - Financial data on the licensee; <p>The GSC uses this return to confirm that player funds are being protected properly. The financial data is analysed for signs of financial difficulties and for anomalous patterns which could represent an AML/CFT risk. The reportable events checklist acts as a reminder to licensees on their reporting obligations.</p>

The analysis performed on these returns is supported by analysis of licensees' annual accounts which must be submitted to the GSC each year.

Licensees' accounts analysed during 2016/17	
Accounts analysed	41

Analysis of annual accounts is a useful corroboration of the financial data supplied each quarter by the operator. Any discrepancies are investigated by the inspectors.

For this reason, accounts must be supplied for the year even if a licensee has determined that it no longer wishes to be licensed in the Isle of Man.

The GSC is also responsible for the licensing of casino premises serving alcohol and issues the licence for this activity.

Online Checks

The GSC can also inspect certain aspects of its online licensees by accessing their internet products from the desktop.

Each inspector in the GSC is assigned a number of licensees and the inspector becomes the relationship manager (RM) for these licensees.

This gives each inspector an opportunity to become the expert in those licensees' affairs. Part of that process is the undertaking of frequent desktop checks.

An entire RM check would take a number of days to complete and as the checks are of lower risk items, they are limited by time and executed on a rolling basis.

This means that when an inspector picks up an RM-check they start at the point on the checklist where the last check for that licensee ended. Over a number of weeks the whole of the check is completed and the check is then started from the beginning again.

RM checks are used to check the following:

- That the terms and conditions are fair. A copy of the terms and conditions is taken at this point;
- That the games available on the website are known to the GSC and have valid test certificates;
- That any special conditions attached to a licensee's licence are being adhered to;
- That links to problem gambling help are present and work;
- That sundries such as registered office, the GSC's logo and licensing statements are present; and
- That under-age players are specifically excluded from registration and facilities for voluntary self-exclusion exist.

The inspector also conducts a review of complaints to the operator by players to determine if any trends are emerging that signal a potential problem.

RM checks conducted during 2016/17	
RM checks conducted	137

Monitoring of Key Controllers

The licensing process described earlier in this report provides an important opportunity to check the integrity of key controllers of licences.

These key controllers include beneficial owners, investors, senior managers and directors as well as specialists such as money-laundering reporting officers.

However the GSC has to contend with the possibility that a key controller has successfully disguised an integrity issue or that an integrity issue has arisen since licensing.

For this reason, the GSC has introduced a database of key controllers and companies that is updated daily and checked frequently.

Appendix 2 - Income and Expenditure

GSC Income and Expenditure		
Income source	2015/16	2016/17
Gaming Betting & Lotteries Act fees ¹	1,495	1,480
Gaming Amendment Act fees	26,784	25,332
Online Gambling Regulation Act fees ²	1,610,000	1,465,015
Casino Act fees ³	285,314	62,182
Other income ⁴	4,630	4,670
Sub totals	1,928,223	1,558,679
Expenditure		
Salaries ⁵	563,702	703,827
Commissioners' honoraria ⁶	78,558	78,458
HR costs ⁷	10,822	14,765
Premises	2,861	1,715
Professional fees ⁸	70,108	35,370
Travel ⁹	22,454	17,987
Operating Expenses ¹⁰	21,375 ⁹	11,564
Other Expenses	273	0
Total Expenditure	770,153	863,686
Surplus for the year	1,158,070	694,993

Notes to the Table

1 Gaming, betting and Lottery Act 1988 revenue consists mainly of the fees paid by licensees in order to operate as a bookmaker, but also includes society lottery registration fees.

The cost of a licence to operate a licensed betting office is split into two parts: a permit and a certificate. A permit allows a bookmaker to operate as many betting offices as it wishes. Each betting office is then separately certified.

A permit costs £700 to obtain and £100 to renew. Certificates for betting offices cost an additional £100 for each betting office the bookmaker operates.

2 Online Gambling Regulation Act 2001 revenue consists of the costs of online licence fees. These vary in cost depending on the privileges that attach to the licence.

A standard licence costs £35,000 per annum and allows an operator to offer online gambling to any markets where legal advice demonstrates it is not unlawful. Standard licences allow a significant degree of business flexibility and operators can engage with multiple business partners.

A sub-licence costs £5,000 per annum. Such licensees must use the games supplied by a standard or network licence holder in the Isle of Man.

A network services licence costs £50,000 per annum and allows operators to offer services to non-Isle of Man operators' players.

3 Casino Act fees relate primarily to the fees payable to hold a Casino Licence but also include administration fees payable by the costs associated with Casino staff certification. It should be noted that following the introduction of machine gaming duty, the basis of the licence fee has changed, reflecting a lower income for the GSC and a corresponding increase for Customs and Excise (not shown).

4 A single Commission member that sits on the GSC Board also sits on the board of another agency. For administrative simplicity the GSC pays the Commission member's monthly honoraria and then cross-charges the other agency at the end of the reporting period.

5 The GSC pays its employees according to the following schedule:

GSC employee salaries	
Pay range	Number of employees
<£99,999	11
£100,000-199,999	1
£200,000+	0

The amount paid includes overtime payments made to staff. The total amount paid in overtime for the period is shown below:

GSC overtime payments 2016/17	
Total paid	£0

6 Each Commission member is paid an honorarium. The chair of the Commission receives an enhanced payment.

7 Human Resource costs include fees paid for staff training which, during the period, were split between providers as follows:

GSC Training expenditure 2016/17	
Government providers	£0
External providers	£10,969

8 Professional fees include fees paid to lawyers, accountants and investigative agencies as part of the due diligence the GSC exercises over applicants.

GSC Due diligence expenditure 2016/17	
Accountants	£25,075
Enhanced due diligence reports	£26,670
Legal fees	£3,362
Police checks	£2,600

9 The GSC sends two delegates to each of the annual GREF and IAGR conferences. It also supplies officers to assist with regulatory queries at two international trade conferences:

- ICE (International Casino Exhibition), a three day trade show held annually in London, covering all aspects of gambling. ICE is considered to be the largest show of its kind; and
- EIG (Excellence in i-gaming), a three day e-gaming specific trade show, typically held in a European capital such as Berlin.

Travel expenses are also incurred when officers travel to visit their regulatory counterparts in order to discuss common areas of interest, to assist with national AML/CFT efforts (for example, travelling to Strasbourg for the MONEYVAL plenary to discuss the Isle of Man's mutual evaluation report) and to meet to discuss GREF or IAGR working group matters, such as common test standards.

Where practical, the GSC arranges travel to minimise the requirement for hotel accommodation – for example, by flying staff on the early flight to the UK and the last flight back to the Island.

Officers may claim expenses during periods of work away from the Isle of Man.

GSC subsistence expense claims 2016/17	
Total claimed	£597

10 Operating expenses include the costs for stationery and office supplies, telephony and information technology. The expenses include the following:

Operating expenses 2016/17	
Stationery, office supplies, printing	£4,020
IT provision	£6,983
Of which, hardware	£130
Of which, maintenance	-£4,936*
Loan Charges** –	£12,100

*Includes an accrual of £7,000 from 15/16

** loan relates to capital expenditure for bespoke Regulatory System)

Appendix 3 - Annual Plan

Item	Description	Priority	Timetable
AML/CFT programme	AML/CFT remains a focus for the GSC. Particular effort is being expended on meeting the recommendations outlined in the MONEYVAL report.	High	On-going
Internal Review	This exercise will seek to understand the underlying factors for staff recruitment and retention.	High	Commencing
On-going compliance programme	The programme currently consists of: <ul style="list-style-type: none"> - One operator visit per month; - Weekly visits to licensee websites; - Quarterly checks on finances and significant events; - Occasional themed portfolio checks (which analyse a particular aspect of compliance across all operators simultaneously); - Checks on player fund levels; - Annual live-dealer facility checks; - Regular casino visits; - Monthly internet checks on the affairs of network operators' partners. 	High	On-going
System requirement specification	Work on this initiative is progressing satisfactorily and the project is in its procurement stage.	High	On-going
Continued representation in international forums	A continuation of the work in the IAGR working groups to establish workable common standards between regulators; continued attendance at GREF and key legal conferences to understand developments and sentiments in Europe.	Medium	On-going
Legislative rewrite	The GSC will use the 2017/18 period to ratify the scope of the rewrite exercise and work will commence on creating the drafting requirement.	High	2018/19

Appendix 4 - 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.

Appendix 5 – Risks for 2017/18

Risks assessed at the start of the 2017/18 reporting year, in order of descending seriousness/likelihood.		
Risk	Response	Risk Rating
<p>1. SUCCESSION MANAGEMENT: The departure of any of the current senior management team would cause significant disruption to the work of the GSC.</p> <ul style="list-style-type: none"> The lack of an IT system exacerbates the potential impact of loss of knowledge; Supply of e-gaming labour is exceeded by demand in the Isle of Man at present; Suitable replacement officers at the senior level are rare; another jurisdiction's government has recently taken over a year to obtain a replacement for a departing chief executive. 	<p>This risk is present and is not able to be mitigated at this time.</p> <p>The GSC is aware of the risk but is not in a position to manage it. The cross-training of skills necessary to mitigate a single officer's unexpected departure cannot currently be undertaken because of resource constraints and the high volume of discrete knowledge embedded in each at-risk officer.</p>	High
<p>2. STAFF FLIGHT: Staff members that the GSC has trained become attractive to the private sector and the GSC cannot offer competitive terms in order to retain them.</p> <ul style="list-style-type: none"> The GSC has lost staff each year to the private sector; The small size of the team means that departing staff create sub-optimal workload imbalances for remaining staff; Low levels of unemployment in the Isle of Man make recruitment of replacement staff challenging. 	<p>This risk is present and a solution is being developed to mitigate it.</p> <p>The GSC will attempt to increase its staffing numbers during 17/18 and has commissioned an independent review of both staff terms and conditions and remuneration.</p>	High
<p>3. ALIGNMENT OF RESOURCE LEVELS: The e-gaming sector is capable of expanding and contracting quickly. There is a risk the GSC has too many or too few staff at any given time.</p> <ul style="list-style-type: none"> e-gaming licences are currently showing strong growth; a persistent failure to retain staff is a complicating factor; MONEYVAL follow-up requirements have created temporary but specialist skillset-specific pressures. 	<p>This risk is present and a solution is being developed to mitigate it.</p> <p>An internal review has identified that the GSC is currently under resourced.</p>	High
<p>4. KNOWLEDGE: Specialist knowledge is inconsistently documented. There is currently no single system capable of unifying the various types of data and procedures that the GSC has.</p> <ul style="list-style-type: none"> The Isle of Man's gambling legislation is old. Much of the knowledge that is at risk is policy that adapts the law to sector realities and which must be regularly reviewed for effectiveness; Under-resourcing makes it more difficult to disseminate changes to policy. 	<p>This risk is present and a solution is being developed to mitigate it.</p> <p>The GSC has commissioned an IT project which will assist in managing specialist knowledge in a more consistent manner.</p>	High
<p>5. INNOVATION/NEW TECHNOLOGY: The gambling sector innovates rapidly, adopting new technology quickly. There is a risk that in permitting innovations, the risks to consumers and the economy are incompletely understood.</p> <ul style="list-style-type: none"> New payment methods such as cryptocurrency and new ways of raising money such as crowd-funding and Initial Coin Offerings are gaining traction. 	<p>This risk is present and a solution is being developed to mitigate it.</p> <p>If it is successful in expanding its resources, the GSC should be able to free up resource to research and understand new technology risks in more detail.</p>	Medium
<p>6. INFORMATION CONTROL:</p>	<p>This risk is present and a solution is being</p>	Medium

<p>There is a risk that information is not appropriately controlled and is either inappropriately released or cannot be processed for data subject access requests, Tynwald questions or Freedom of Information requests.</p> <ul style="list-style-type: none"> This risk is aggravated by the current lack of a single application that can unify the GSC's diverse IT solutions (MS Outlook, Excel, Word, scanned documents, etc). 	<p>developed to mitigate it.</p> <p>The GSC has commissioned an IT project to address this risk.</p>	
<p>7. CRIMINAL CONTROL OF LICENCE: Criminals sometimes seek control of a gambling licence to legitimise or launder the proceeds of crime or to generate them with fraudulent gaming activity.</p> <ul style="list-style-type: none"> There has been a recent high profile example of this in a regulated jurisdiction. 	<p>This risk is present and it is actively mitigated by the strength of the GSC's licensing and ongoing monitoring processes.</p> <p>The risk cannot be completely eliminated without access to foreign intelligence databases, which the GSC does not have.</p>	Medium
<p>8. BURDENSOME REGULATION: There is a risk that the GSC is placing regulatory burdens on industry which yield no meaningful regulatory benefits, perhaps because the risks they were mitigating have been eliminated or shifted.</p>	<p>This risk is present and a solution is planned in order to mitigate it.</p> <p>If the GSC is successful with its attempts to increase resource levels, it will seek to incorporate a review of regulatory burden into its annual process review.</p>	Low
<p>9. DATA INTEGRITY: Lack of a central IT system leads to data integrity issues which causes data to become corrupted or lost.</p> <ul style="list-style-type: none"> This risk has crystallised in the past when the move was made from one operating system to the next. 	<p>This risk is present and a solution is being developed to mitigate it.</p> <p>The GSC has commissioned an IT project to address this risk.</p>	Low
<p>10. UNDETECTED BREACHES: There is a chance that a given operator is not fully compliant with regulation.</p> <ul style="list-style-type: none"> The GSC does find instances of non-compliance when it inspects licensees. 	<p>This risk is present and it is actively mitigated by the strength of the GSC's supervision processes.</p> <p>The risk cannot be completely eliminated under the risk based approach which targets the higher impact operators.</p>	Low
<p>11. MIS-APPLICATION OF LAW: The GSC misinterprets its law and either misapplies the law, or unknowingly allows one of its licensees to commit an offence.</p>	<p>This risk is present and a solution is being developed to mitigate it.</p> <p>The GSC has commenced a fundamental legislative revision project to deliver a clearer and less fragmented regulatory framework. It is anticipated that this project will be complete during 2018/2019.</p> <p>Some degree of mitigation exists through liaison with Attorney General's Chambers on points of law.</p>	Low
<p>12. MEDIA RELATIONS: There is a risk that in attempting to be transparent with the public, the GSC inadvertently makes the situation less clear, or worse diverts efforts to assist consumers to press enquiries.</p> <ul style="list-style-type: none"> The size of the sector makes it of interest to the media; Sections of the media are hostile to the Island's gambling sector for a variety of reasons; There is a perception that a lack of media engagement can only ever represent "something to hide" irrespective of the reasons why engagement is unhelpful at the time. 	<p>This risk is present and a solution is planned in order to mitigate it.</p> <p>The GSC will consider compulsory media training as a development objective for key senior management during 2017/18, 2018/19.</p>	Low



