

Isle of Man Gambling Supervision Commission



Annual Report
2017/2018
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1. Chairperson's Statement

This year it is my intention to keep my comments brief.

Last year, I wrote about the difficulty the GSC has in retaining its staff in a climate of low unemployment and in which there are many prosperous online gambling operators whose demand for trained compliance experts is being driven by the high standards we set for our licensees.

That GSC personnel are in demand was underlined this year when our director of Licensing and Compliance, a highly capable and experienced individual, took the offer of a job with one of our prospective applicants. We wish him every success in his new role but his departure has highlighted the vulnerability of losing experienced staff.

I also wrote that I had asked my Chief Executive to commission an independent report by human resource professionals to determine what action we could take to improve retention. I am pleased to report that the findings have been presented to the Board and we are currently implementing key changes to supply the stability the GSC will need in order to meet its challenges in the future.

It is my earnest hope that next year's report will start with the happy news that we have had an entire year pass without a single member of the team's departure.

Ron Spencer
Chairman

2. Chief Executive's Statement

To quote the apocryphal Chinese curse, we are currently, as an organisation, living in interesting times and this has put us in a debt of gratitude to many this year.

With MONEYVAL's review of the Island's response to the Mutual Evaluation Report due in July 2018 and with evidence of progress required by the 2017 year end, we were asked to promote our AML Supervision Bill to the top of our agenda. With much exertion, the process was completed within 28 weeks, a tremendous achievement that wasn't without its ups and downs. I owe thanks to the legislative drafters in the Attorney General's Chambers and to the MHKs and MLCs who critiqued the Bill and allowed it to navigate its way to Royal Assent in time for inclusion in the Island's report to MONEYVAL. I also owe thanks to officers from the Department of Home Affairs who graciously guided us through the additional procedures necessary when introducing legislation at such speed.

I also owe thanks to my new Director of Licensing and Compliance, Helen Ault, who has replaced Ty Smith following his departure to richer pastures. Her background in anti-money laundering and countering the financing of terrorism not only saw valuable refinements to the processes we use in our supervision, but has also been used to train up a new expert within the GSC and was instrumental in producing the new AML Bill's delivery in record time.

Interest in crypto currency continues to be strong, with the added complexity now of businesses seeking licenses after having raised funds from initial coin offerings (ICOs) whereby crypto-tokens with some form of utility are created and sold in exchange for money and other types of crypto currency. ICOs have rapidly acquired a mixed reputation and we are trialling ways to remove the risks from this latest form of financial technology, when it presents itself to us. My thanks to my deputy, Mark Rutherford for creating pragmatic frameworks for risk control as quickly as each new technology emerges.

Undertaking the HR review to mitigate the problem of staff flight has been a very intensive process and ironically has placed an additional strain upon resource, albeit we recognise we have to speculate to accumulate. To echo my chairman's comments, I hope to have the same faces in the organisation this time next year. To my board, for their support in this exercise, I owe a special vote of thanks.

My thanks also go to a small website we occasionally monitor. The site is run by gambling experts who collate reports of good and bad casinos – a sort of mystery shopper which reports on so-called rogue casinos. I was heartened to learn that they had introduced a special section dedicated to gambling regulators, who were compared side by side. It stated in its review:

The Isle of Man licensing jurisdiction is one of the most underrated jurisdictions out there. They are pretty solid – in fact I can't think of any casino that has been rogued in our rogue pit that was licensed by the Isle of Man... their casinos are a safe bet.¹

We don't get much international publicity, but it is satisfying to realise that the little bit that we do find is positive. It's a reflection of the way we want to do business in the Isle of Man and is a testament to the hard work that my team have delivered during very testing circumstances. I reserve my final thanks for them and their patience during what I hope will be the last of the interesting times.

Steve Brennan
Chief Executive

¹ <https://www.casinomeister.com/gambling-jurisdictions/isle-of-man/>

3. 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.

4. The Board of Commissioners 2017/2018



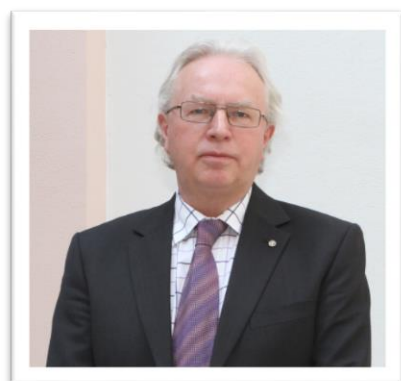
Ron Spencer - Chairman



David Reynolds - Commissioner



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 Tynwald². 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.

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 2017/18 are shown below:

Licensing decisions 2017/18		
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	1 renewal	0
Online gambling operators	7 approvals 5 renewals	6 surrendered 3 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;

² 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).

- government's Internal Auditors: alignment of practice with published internal processes;
- 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; and
- regular information exchange - This helps the Authorities to discharge their responsibilities as efficiently and effectively as possible. This year saw a significant information sharing exercise between the GSC and Treasury in respect of a taxation matter following a request from a foreign jurisdiction.

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.

At the time of writing the GSC employs 14 staff and currently has vacancies in two posts.

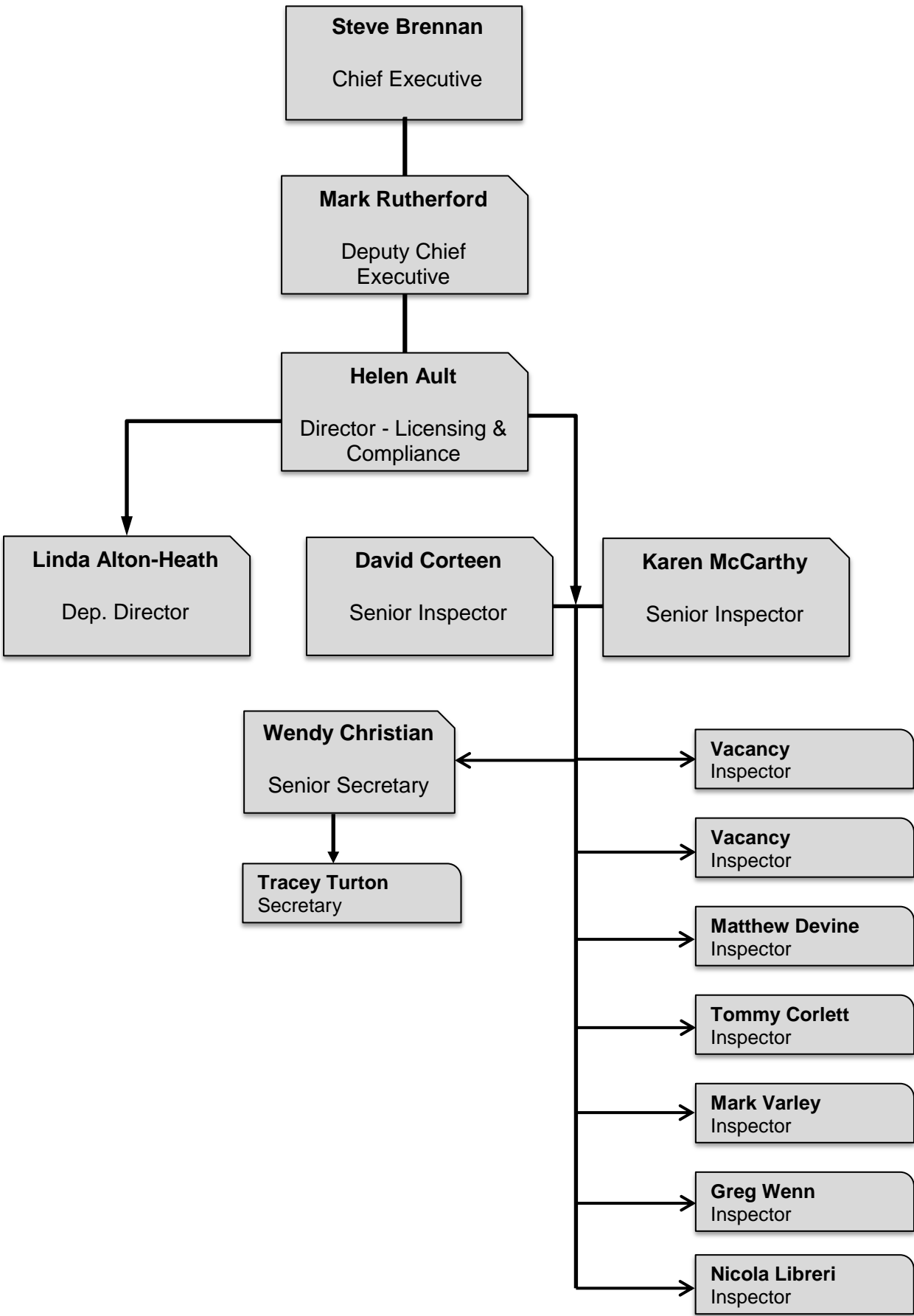
Corporate Plan - Strategic Objectives

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 to these aims to which we turn. The Commission's strategic aims for the coming 3 years are to:

- streamline processes through the use of technology - simplify and ease the process for collecting and uploading operator data submitted on a quarterly basis.
- apply the risk based approach that has been used for AML/CFT supervision to the broader compliance requirements of the gambling sectors.
- expand knowledge and retain staff - 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 is being 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 that the 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.
- realign old gambling legislation so that it can be more rapidly adapted to changes in technology and so that there is parity in fairness between the older, restrictive legislation for domestic gambling and the newer, less restrictive legislation for online gambling.

5. Organisational Chart



6. 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 it hopes will be delivered for Quarter 3 or Quarter 4 in 2020.

The GSC has also monitored developments within Isle of Man society, as private citizens and businesses have sought to use gambling to raise funds, promote their activities and even attempt to use a lottery to sell property.

The GSC recognises that society's attitudes towards gambling have changed somewhat in the last thirty years. However gambling is a surprisingly complicated affair if it is to be conducted in a safe and fair manner.

Isle of Man legislation currently deems many forms of gambling to be unlawful, including some types which are not unlawful in the UK. When unlawful gambling is brought to the attention of the GSC, the following occurs:

Firstly, a risk assessment is conducted by the GSC to determine if the activity is significant enough to warrant formal action.

The risk assessment takes a number of factors into account such as the amount of money that is involved, whether the activity is frequent or periodic, whether children can participate, whether the money that people pay to participate goes to a private individual or to a business as a profit.

If the activity is deemed to be high risk, then the GSC intervenes by first explaining the law and how it controls the activity and offering licensing (subject to checks) where possible. If the activity continues without licensing then the GSC threatens enforcement.

If the activity is deemed to be low risk, then the GSC may determine simply to monitor the activity in case it changes and becomes high risk. In these cases, where activity is being monitored, it is unlikely that the GSC will seek to enforce.

The following table shows some examples of high risk and low risk activities that the GSC was aware of during the period.

Higher risk	Lower risk
A free-to-enter promotional draw where the first prize was significant (a brand new car) and the activity was likely to be monthly. The GSC advised the promoter to cease. The promoter ceased.	A free to enter one-off promotional draw at a fair where the prize was not considered significant. When considering whether a prize is significant, the GSC makes reference to the FATF standard of value for requiring AML/CFT controls in gambling (EUR3,000).
A paid ticket lottery with a significant prize (a property). The GSC advised that the lottery could not be promoted in the Isle of Man. The promoter did so from the UK instead.	

International Sector

The international sector continues to evolve with regulatory progress notable in Europe and uncertainty continuing to exist in the Philippines. Africa is beginning to consider the regulation of gambling more broadly. While some regulated markets exist, South Africa being an excellent example, regulatory regimes are starting to flourish in other African countries such as Tanzania and Kenya. This year has seen a dedicated International Casino Exhibition – ICE Africa – which was held in Johannesburg.

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.

The Isle of Man is also seeing strong interest in non-monetary gambling, particularly from operators seeking to use crypto-currency and operators whose source of funds can be traced back to initial coin offerings. The GSC has developed a framework to control the risks in these areas whilst preserving the benefits.

7. A Year in Review

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 directors available for the annual reception of the Small Countries Forum. This Isle of Man project invites senior executives from the governments and institutions 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 little or no regulation in place for online gambling.

GRAF

GRAF – The Gambling Regulators of Europe Forum is one of two international bodies where gambling regulators can meet and exchange experience with their international counterparts. The Isle of Man is recognised particularly for its experience with AML/CFT matters within the international community.

In recent years GRAF has sought to focus its conferences on themes topical to all of its membership. This year's GRAF plenary was held in Prague and members had opportunities to understand the blurring of lines between gambling and social gaming, an issue that is becoming increasingly relevant through the rise and popularity of the purchasing of loot-boxes within social games. Expert speakers provided relevant and thought provoking content illustrating the changing characteristics of social games and where these characteristics butt up against, and in some cases cross into gambling.

Prague also marked the end of the Chief Executive's term of office on the GRAF Board. Over the past 5 years he has occupied the roles of Board Member, Vice-Chair and finally, for the last two years led the organisation as its Chair. He hands over the role to his colleague from the Netherlands gambling authority.

GRAF remains an important body to be a member of and the GSC will actively participate in future plenaries to build on the good reputation which the Isle of Man has achieved.

Betting Integrity Expert Group

Prior to his departure, Ty Smith, the GSC's Director – Licensing & Compliance, continued to serve as an Expert Member of the International Forum for Sports Integrity (IFSI). IFSI is a 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 recognition that the corruption of sport is a small part of the bigger picture relating to corruption in general, is gaining momentum. Forums like International Forum for Sports Integrity (IFSI), and organisations such as the United Nations Office on Drugs and Crime

(UNODC) aim to raise awareness at the highest political level. Whereas organisations on the front line, such as the Tennis Integrity Unit, FIFA, Esports Integrity Council to name but a few, are working within their own sports to ensure that they can combat corruption from within.

The GSC fully supports such an approach and believes that with support from regulatory and enforcement bodies the gambling sector can play a pivotal role in combatting corruption globally.

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 ensure that this activity is conducted fairly and in compliance with regulatory requirements including the exclusion of under-age players.

There is also a growing, and predominantly unregulated crypto currency 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 four operators for licensing in this new area.

In 2017/18 interest in this area has grown significantly. The GSC is also developing controls that allow it to conduct diligence checks on prospective applicants who have acquired their start-up capital from initial coin offerings (ICOs). ICOs invite investors to purchase virtual tokens that permit future participation in online schemes of various types (such as casino play) and typically gain value on crypto currency exchanges in their own right, providing new currency for speculators. Accepting, as they typically do, payment for tokens using other crypto currencies such as Bitcoin, it is essential that this type of funding is properly vetted to prevent the use of criminally generated crypto currency to fund a licence.

ICOs are considered by government to carry a higher risk of consumer fraud. This is because the tokens that investors acquire do not constitute equity in the company nor any promise to deliver any service to token holders. However, when a company applies for a GSC licence, the vetting process is designed to test the very ability of the company to deliver a viable gambling licensee, so the risk of ICO fraud in this particular instance is mitigated.

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 naïve 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.

Changes to Machine-Based Games

The GSC supervises a small number of gambling machines available in licensed betting offices in the Isle of Man. The UK Government has recently investigated claims that these machines are an acute source of harm for gamblers and its report concludes that there are merits in

reducing the maximum amount of money that can be staked for any given play from £50 (the current limit) to £2.

While the GSC recognises that there are differences between the social fabric of the Isle of Man and areas of the UK where the problems have manifested most notably (inner-city areas, particularly in less wealthy neighbourhoods), there is nevertheless a useful opportunity to review the situation in the Isle of Man.

Anti-Money Laundering Expertise

The GSC has become experienced in understanding and controlling the risks of money laundering and terrorist financing within the gambling sector, and is always happy to share its knowledge with other gambling authorities.

The GSC was pleased to host a visit from the Gambling Authority of Tanzania this year. In addition to thanking the GSC for its support while the Gambling Authority was set up, there was a valuable discussion about AML/CFT matters with a particular emphasis on the challenges within African countries.

During the year, the GSC was invited to speak to the UK's online-gambling trade body, the Remote Gambling Association, on the topic of virtual goods and currencies. The GSC explained its approach to treating risk as well as its experiences of processing applications with virtual products in their business models.

The GSC was also proud to support Helen Ault, the then director of AML/CFT, in her AML training with the Financial Action Task Force. Having completed the training, Helen is now in a position to participate in the evaluation of other countries' compliance with the FATF's recommendations, and she represents a rare asset as a gambling expert in a field where most evaluators are drawn from banking and finance.

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 sees 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 are 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
- enhanced erasure rights; and
- increased financial consequences for non-compliance with the regulation.

The GDPR is now in force and the GSC is compliant with its requirements. Whilst it is not the enforcing body for the legislation, compliance with GDPR is a requirement for licensees.

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 GSC has dedicated significant resource to tackling the actions included in the report, the majority of which are now complete.

Improvements include –

- the new Gambling (AML/CFT) Act 2018 which provides the GSC with the necessary supervision and enforcement powers to oversee the gambling sector's AML/CFT compliance;
- additional AML/CFT Guidance and outreach via the MLRO Forum;
- the collection and examination of quarterly returns of AML/CFT data so improve the GSC's understanding of operator and sector risks;
- continued close cooperation with the Financial Intelligence Unit to improve the quality of SAR reporting.

The main AML/CFT project for the coming year is the revision of the AML/CFT Code requirements.

Acquisition of an IT Solution

The GSC had previously identified the need for an IT system to ensure that it could ensure that the security and integrity of its data is maintained, makes best use of its resources by directing resource on a risk based approach and delivers a licensing and compliance programme which yields increased productivity and quality for both the end user and the regulatory body.

In order to ensure that any such system has the best opportunity to deliver value for money the GSC has strategically partnered with the Financial Services Authority to commission a co-sponsored system build.

After the completion of a highly detailed requirement document the procurement process commenced in April 2018 and at the time of writing the authorities and contractor are in the production of the first phase which it is anticipated will deliver a usable product to the regulators and their respective license bases by the end of Q4 2018.

Combating the incidence of problem gambling

Licensees are also expected to make a contribution towards the education, research and treatment relating to problem gambling. The GSC coordinates this activity by setting a date for the contribution to be declared, by weighing the credibility of the contribution and by following up those licensees that miss the contribution date.

At the time of writing, a sum of £245,072 had been collectively passed to various organisations involved in this area.

The Casino Act 2018

The Casino (Amendment) Act 2018 came into operation on the 24th January 2018 and is

another demonstration of the GSC's commitment to ensure that local business is permitted to compete commercially within a robust regulatory framework.

The Act contains four key provisions:

- licence revocation provisions in the case of non-compliance by a Casino licence holder in relation to money laundering and financing of terrorism legislation;
- casino transfer provisions which allow a casino to operate over multiple premises or transfer between premises without surrendering the licence;
- variation provisions which provide CoMIN with the ability to specify what percentage deposit needs to be supplied before a concession can be offered to a Casino Licence holder, and for the forfeiture of a deposit (if not set at zero percent by CoMIN) to be subject to CoMIN's discretion;
- licence condition provision which provides a formal power that allows the GSC to supervise its licensees through the use of licence conditions such that where a condition is altered by the GSC the licence is not disturbed. (Currently such licence conditions can only be added when a new licence is being granted by CoMIN).

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.

In 2018, the GSC relinquished the co-chairmanship due to competing demands on resource.

Money-Laundering Reporting Officer Forum

The MLRO Forum was established in September 2016 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 meetings are held on a quarterly basis and have been well attended with c.85% of operators being represented at each meeting.

Guest speakers have included the Director of the Financial Intelligence Unit and the Economic Crime Unit's Chief Inspector.

Since May 2018 a member from the Forum has attended the AML/CFT Advisory Group on a voluntary basis. Unlike some regulated sectors, there is no single professional trade body to represent the gambling industry. Advisory Group meetings are now attended by the Forum volunteer plus the GSC's Deputy Director of AML/CFT.

Supervision Review

While the GSC's core mandates concern the exclusion of crime and the safeguarding of consumer interests and welfare, it does have a secondary role in ensuring that the Isle of Man's gambling sectors remain competitive.

When time permits the GSC reviews the ways it supervises operators and determines whether the supervision is still proportionate to the risks being managed.

It was not possible to conduct this exercise this year due to resource constraints.

However, the GSC was able to offer industry a permissive, albeit tightly controlled framework for the adoption of crypto-currency and virtual gaming goods. The GSC hopes that if or when crypto-currency gains the same type of acceptance as internet shopping has over the last decade, Isle of Man operators will be far in advance of virtual currency operators elsewhere, having practised the procedures and processes that signal legitimacy and compliance with international standards.

International Regulatory Relations

The GSC continued to be called upon for advice and assistance in regulatory matters. Meetings with representatives of the Government of Cambodia took place in London and representatives of the Tanzanian regulatory authority, on Island. Both were keen to understand the Island's regulatory framework. The GSC continues to meet with international counterparts both at regulatory conferences such as the Gambling Regulators' European Forum and the International Association of Gambling Regulators plenary. The GSC's chief executive, Steve Brennan, at the conclusion of his term of office, stepped down from his role as Chair of the Gambling Regulators' European Forum.

Domestic Authorities

The GSC received three requests from other Government departments to share data.

In the case of requests which pertained to requests from foreign authorities for assistance, the GSC was able to share its data. The data sharing exercise, being the first of its kind, was complex, time consuming and prompted GSC enquiries over process. The data was nonetheless shared, albeit outside agreed deadlines in one instance.

In the case of a request which was designed to assist the economy, the GSC did not have the information gateway permissions and it was not possible to share the data directly.

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 MLRO Forum representative now attends this group in addition to the GSC's representative.

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

In May 2018 the GSC published on its website Guidance on the new Gambling (AML/CFT) Act which includes the GSC's AML/CFT strategy -

- to explain AML/CFT obligations and offer guidance to operators so that AML/CFT obligations are clearly understood;
- to assume virtue in each operator, that each operator sees the intrinsic value of combating money laundering and terrorist financing and is seeking to comply with the law;
- where inspection or reporting demonstrates a deficiency, to explain that deficiency to the operator and secure a commitment to fix the deficiency;
- where inspection or reporting demonstrates repeat deficiencies, unfixed deficiencies or a pattern of serial deficiencies in different areas, to examine the underlying causes and consider using the formal sanctioning provisions of the Act;
- if the GSC determines that AML/CFT compliance failures, either singly or in aggregate stem from negligence or contempt for the law, to review the suitability of the operator's leadership and in cases where material risk exists, to review the status of the operator;
- if repeated inspection demonstrates that AML/CFT compliance is embedded within an operator's approach, to consider moving that operator to a less frequent inspection schedule

A New Anti-Money Laundering Act

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, a new act was brought into force in January 2018.

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

The Act:

- 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 wide range of administrative sanctions designed to dissuade licensees from failing to comply with AML/CFT legislation.

The GSC wishes to thank those that participated in the consultation process.

Consolidation of Gambling Law

The GSC has long held the intention to reform its gambling legislation in order to make it fairer, more able to adapt swiftly to change and to make it clearer and more accessible to the reader.

Having the status of a mega-project (in GSC terms), it suffers like all such projects from being the last issue in the plan to receive attention, being classed as a "nice to have" while existing legislation covers gambling in a satisfactory, albeit increasingly fragmented way.

Nonetheless, the scope of the Gambling Bill, which has the working title of the Gaming and Gambling Bill, has been determined and an internal consultation with Treasury and the Department for Enterprise is imminent.

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

The GSC is one of four countries (alongside Guernsey, UK and Denmark) developing a common testing framework for fairness in gaming. This enormously complex project has been brought to technical completion and was at the point of acceptance testing when the UK project leader left the regulator and joined a gambling company.

Stalled for want of leadership, a representative of the Alderney gambling regulator has offered himself in the role and has been accepted by the remaining group members. It is anticipated the project will resume in late 2018.

Freedom of Information requests

The GSC came under the Freedom of Information Act for the first time this year.

One request sought a list of lottery ticket sellers in the Island. Four requests were interested in our off-Island work, the status of the accommodation that we utilised and what kinds of beds we slept in.

Summarising our types of response:

- one received a practical refusal in line with s11(2)(c) of the Freedom of Information Act 2015 on the basis that clarification was sought from the requestor in order to facilitate the request, but was not received within the allotted period;

- one received a partial disclosure in line with s11(3)(a) of the Freedom of Information Act 2015 on the basis that some of the information requested was not held by the organisation;
- two received full disclosures.

The GSC was not in receipt of any appeals in relation to the requests received, nor was it subject to any judgments or findings by the Information Commissioner.

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
03.02.2017	Casino Act Reform
11.05.2017	Anti-Money Laundering and Countering the Financing of Terrorism (Gambling) Bill 2017
19.03.2018	GSC consultation on civil penalties and guidance

Whistle-blowing

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

Bribery and Corruption

No reports of bribery or attempted bribery were made to us 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.

Unexpected Items

The GSC was asked to participate in a government exercise relating to the European Commission's document 15429/17 on taxation matters.

Licensed Online Operators in the Period

Licensee	Licence type
Alliance Gaming Solutions Limited	Network
Annatar Limited	Full
Annexio Limited	Full
Asian BGE (IOM) Ltd	Full
Babylon Gaming Limited	Full
Binary (IOM) Limited	Full
Celton Manx Limited	Full
Cozy Games Management Limited	Full
Cube Limited	Full
ESP Limited	Full
Eurorace Limited	Full
Fesuge Limited	Sub
Galaxy Bet Limited	Full
Hollywoodbets International Limited	Full
Infinity Gaming Solutions Limited	Full
International Multi-Media Entertainments Limited	Full
Ioway Internet Gaming Enterprise Limited	Full
Jinni Tech Ltd	Full
King Gaming Limited	Full
Knockout Gaming Limited	Full
LuxBet Europe Ltd	Full
Mahjong Logic Limited	Network
MarketstheWorld Limited	Full
Mayfly Entertainment Limited	Full
Mersey Sports Limited	Full
Mustard Sports Limited	Full
New Tyche Tech Limited	Full
Nous Global Limited	Full
NoviGroup Limited	Full
Playstone Limited	Sub
Premier Gateway International Limited	Full
Quanta Technology Ltd	Full
Rational Entertainment Enterprises Limited	Network
Rivalry Limited	Full
SK IOM Limited	Full
Solar Spirit Gaming Limited	Full
SP International Limited	Full
TGP Limited	Network
Top Gaming Europe Limited	Sub
Totus Limited	Full
Webis Holdings Plc	Full
Welton Holdings Limited	Full
Wombat IOM Ltd	Sub
Xela 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.

Appendix 1 shows the detailed supervision programme for 2017/18.

AML/CFT Supervision

Terrestrial Visits including AML/CFT:

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

- 5 casino visits in 2017 with AML/CFT included.
- 3 bookmaker visits in 2017 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.) 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.

Online Gambling - AML/CFT Compliance

All visits to online gambling operators, whether "Full", "Follow-Up" or a "Health check" cover the following ten areas –

- 1) Risk-based approach;
- 2) Customer due diligence;
- 3) Politically exposed persons & sanctions;
- 4) Enhanced due diligence;
- 5) Ongoing monitoring;
- 6) Record keeping;
- 7) Money Laundering Reporting Officer;
- 8) Suspicious activity reporting;
- 9) Staff vetting & training;
- 10) Compliance culture

Any single breach of the Money Laundering and Terrorist Financing (Online Gambling) Code 2013 will result in the relevant area(s) of the report being marked as "Deficient". This applies regardless of whether the breach was a one-off, as a result of human error or administrative in

nature. It is for this reason that the GSC considers that visits where no deficiencies are identified (referred to as 100% compliant) are a real achievement.

The GSC is pleased to report that 68% of the visits conducted in 2017 found no deficiencies, a marked improvement from 2016.

	2016/17	2017/18
Number of AML/CFT visits	40	25
Number with 100% compliance	15	17
	37.5%	68%

However, deficiencies were still identified in 8 visits.

There was one instance of serious deficiency. The GSC conducted a second full AML/CFT visit to an operator where multiple deficiencies were found at their initial full AML/CFT visit. Although significant improvements were noted, not all actions included in the previous visit report had been completed to the GSC's satisfaction. This resulted in a formal direction being issued to the operator in April 2018 under section 18 of the new Gambling (AML/CFT) Act 2018.

The World Bank supplies a methodology for assessing AML/CFT risk and the methodology provides performance indicators based on percentage scores:

70% - high

80% - very high

90% - close to excellent

100% - excellent

This year, 68% of the licensees we inspected achieved 100% compliance, which rated against the World Bank's methodology, rates them as excellent.

Dispute Resolution

From time to time players contact the GSC, often in relation to a complaint about an operator. 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. For this reason, the GSC does not receive complaints from operators about players; all complaints processed by the GSC originate from players.

Not all complaints received by the GSC are disputes. Complaints may be received from players expressing confusion or doubt about an operator's behaviour – for example, by requiring photographic ID to be supplied before winnings can be withdrawn – and are resolved by the GSC clarifying the situation.

Some players start complaints but unilaterally abandon them when the GSC responds. These statistics are recorded under a neutral core principle called "undefined".

The GSC received a Freedom of Information request while this year's annual report was being finalised, asking for more data on the nature of complaints. In light of this, the annual report will henceforth contain additional data in respect of disputes where the GSC had to rule in favour of the operator or the complainant.

Complaints statistics for 2017/2018				
Core principle	Number of complaints received	Number of complaints resolved	Where a dispute occurred, findings in favour of:	
			complainant	operator
Excluding Crime	125	125	13	72
Protecting young & vulnerable	24	24*	1	6
Fairness in gaming	134	134	16	19
Undefined (No Response after initial contact)	26	0	n/a	n/a

*One complaint in respect of a vulnerable person was closed during the report year, but has subsequently been re-opened on appeal. At the time of writing, that complaint is under review.

The categories that the GSC uses to classify complaints can be found in the following schedule.

- Crime- Collusion
- Crime- I.D. details causing withdrawal difficulties
- Crime- Other
- Crime- Rigging (inc. machines, RNG's, bots)
- Crime- Suspended accounts (inc. Blocked/Frozen)

- Fairness- Bet disputes (palpable errors)
- Fairness- Did not receive winnings (withdrawal problem)
- Fairness- Game rules (inc. T&C's)
- Fairness- Other
- Fairness- Software/Hardware issues ('timing out' etc)

- Protection- Chat Room Issues (inc. abuse)
- Protection- Marketing (inc. inappropriate, false)
- Protection- Other
- Protection- Self Exclusion

- Undefined

8. Appendices

Appendix 1 – Supervision Activity 2017/18

The following table shows the visits undertaken in the period:

Licensee general compliance visits 2017/18	
Type of operator	Visits
Licensed betting offices	9
Casino	4
Online gambling companies	19

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 2017/18 – online licensees	
Full visit with report	25

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 2017/18	
Checks completed	6

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

Licensee returns submitted to the GSC during 2017/18 period	
Type of return	Submissions
Casino unusual incidents	12
Casino return-to-player reports	4
Online gambling quarterly reports	146

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 the 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 2017/18	
Accounts analysed	33

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 2017/18	
RM checks conducted	86

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	2016/17	2017/18
Gaming Betting & Lotteries Act fees ¹	1,480	1,495
Gaming Amendment Act fees	25,332	24,480
Online Gambling Regulation Act fees ²	1,465,015	1,455,000
Casino Act fees ³	62,182	76,012
Other income ⁴	4,670	5,667
Sub totals	1,558,679	1,562,654
Expenditure		
Salaries ⁵	703,827	700,899
Commissioners' honoraria ⁶	78,458	74,000
HR costs ⁷	14,765	10,598
Premises	1,715	1,123
Professional fees ⁸	35,370	71,243
Travel ⁹	17,987	11,980
Operating Expenses ¹⁰	11,564	27,560
Other Expenses	0	889
Total Expenditure	863,686	898,293
Surplus for the year	694,993	664,361

Figures subject to rounding

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 sat on the GSC Board also sat on the board of another agency. For administrative simplicity, the GSC paid the Commission member's monthly honoraria and then cross-charged 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	13
£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 2017/18	
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 2017/18	
Government providers	£0
External providers	£4,069

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

GSC Due diligence expenditure 2017/18	
Accountants	£20,250
Enhanced due diligence	£48,205
Legal fees	£0
Police checks	£2,146
Other	£642

9 The GSC sends delegates to each of the annual GREF and IAGR conferences. It also supplies team members 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 GSC staff 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.

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

GSC subsistence expense claims 2017/18	
Total claimed	£527

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

Operating expenses 2017/18	
Stationery, office supplies, printing	£3,773
IT provision	£7,152
Of which, hardware	£3,507
Of which, maintenance	£3,645
Loan Charges* –	£14,500

*loan relates to capital expenditure for bespoke Regulatory System)

Appendix 3 - Annual Plan

project	Description	priority
IT project	This project will supply the GSC (and the FSA) with a professional regulatory system for licensing and supervision. Tenders have been considered and the contract awarded to a developer.	High – driven by risk assessment
GDPR	This wide-reaching project strengthens the data protection obligations that the GSC must meet.	High – driven by risk assessment
HR report	This initiative follows up on the recommendations of the independent human resources report designed to mitigate the risk of staff flight.	High – driven by risk assessment
Corporate governance obligations	This overhaul of governance procedures ensures that the GSC meets all of its internal and corporate governance obligations.	High – driven by risk assessment
Domestic and foreign cooperation & info sharing		High – driven by risk assessment
"Acting on behalf of" rules	This project seeks to dissociate the player fund protection accounts that keep online players' deposits segregated from the AML requirements that apply to so-called client accounts.	High – driven by risk assessment
AML Code rewrite	This project corrects minor technical deficiencies in the GSC's AML/CFT legislation, as identified by MONEYVAL.	High – driven by obligations to corporate government
FOBT stake limit review	This review checks with key agencies in the Isle of Man and with counterparts abroad to refresh the GSC's view on the degree of social harm associated with fixed odds betting terminals in the Isle of Man.	High – driven by obligations to corporate government
Annual reporting	This is a mandatory annual requirement.	High – driven by obligations to corporate government
EU listing group	This is the ongoing GSC presence on the group tasked with understanding and meeting EU requirements.	High – driven by obligations to corporate government
Legislative rewrite	This project seeks to modernise Isle of Man gambling legislation.	Medium – driven by commitments already made by GSC
Betting Integrity/EWS/Olympic work	This is an ongoing commitment to assist various agencies in combatting corruption in sport.	Medium – driven by commitments already made by GSC
Software licensing	This project streamlines the mechanism for certifying the fairness of games.	Low – refinement to existing law.

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
- Casino Act 2018

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.

Gambling (Anti-Money Laundering and Countering the Financing of Terrorism) Act 2018

The Gambling (AML/CFT) Act provides the GSC with the necessary powers to conduct regulatory oversight of the gambling sector's compliance with Anti-Money Laundering and Countering the Financing of Terrorism legislation and provides a broad range of proportionate and dissuasive sanctions for non-compliance.

Gambling (Anti-Money Laundering and Countering the Financing of Terrorism) Order 2018

This Order prescribes the notice period for a civil penalty under section 22 of the Gambling (AML/CFT) Act 2018 and requires payment within a further 28 days. It also provides that an operator may respond to a notice by providing details of mitigating factors to be considered when the amount of the penalty is determined by the Commission.

Appendix 5 – Risks for 2018/19

Risks assessed at the start of the 2018/19 reporting year, in order of descending seriousness.		
Risk	Response	Risk Rating
Criminals seek control and ownership of gambling licences. Criminal ownership or control of an Isle of Man licence would damage the reputation of the GSC and the Isle of Man	Current levels of diligence checking to be maintained. Domestic and foreign cooperation to be strengthened through agreements and legislative change.	Highest impact, low likelihood
GDPR requirements for data protection are more stringent than previous requirements. Risks are primarily inadvertent non-compliance by the GSC through fragmentation of current infrastructure. There is also a cyber-risk that has not yet been adequately assessed.	Implement the internal governance changes in order to comply with GDPR provisions. This to include refinement to: <ul style="list-style-type: none"> - The disposal of data, including coordination with the public records office; - Reviews of data to ensure it is still accurate - Reinforcement of data protection requirements - Risk assessment, including cyber risk. 	High impact, medium likelihood
GSC staff are difficult to retain when Island employment levels are high and the private sector is able to offer significantly better reward packages. The GSC's HR practices have not been reviewed since 2008. Training and recruitment is expensive and time-consuming.	Understand the conclusions of the independent HR audit. Implement recommendations.	High impact, medium likelihood
Senior staff experience on the proportionate control of an online gambling sector is practically irreplaceable. Senior staff are vulnerable to offers from countries seeking to set up online gambling sectors of their own.	Understand the conclusions of the independent HR audit. Implement recommendations.	High impact, medium likelihood
The GSC's control of information is impeded by the lack of a computer system to control data.	Continue the project to implement a joint IT solution with the FSA.	High impact, medium likelihood
The GSC is the competent authority for supervising AML/CFT risk in the sector. Some technical deficiencies were identified by MONEYVAL during their visit and will need to be corrected before the next mutual evaluation exercise.	The AML/CFT Code that applies to the gambling sector is to be revised.	High impact, low likelihood
The GSC is subject to more than fifty discrete corporate and internal governance requirements. Governance requirements are frequently revised and refined.	The scale of the commitment now requires dedicated planning and organisation.	Medium impact, medium likelihood
The GSC's position on certain types of domestic gambling is not generally known or available to the public. The public isn't generally aware of the law in this area.	A guide to gambling in the Isle of Man to be published and made available to the general public.	Low impact, high likelihood
The GSC operates many internal processes in order to ensure consistency. An internal audit identified minor inconsistencies in the way some processes were being conducted.	An annual review of processes is required to confirm that processes are up to date and are being applied consistently.	Low impact, medium likelihood
The GSC has enjoyed media attention during the year. The GSC's responses simply led to further negative attention.	The GSC should learn how best to field media interest in order to handle it accurately and efficiently	Low impact, medium likelihood
The GSC is sensitive to government policy once consumer protection and the exclusion of crime has been secured. The GSC is consulting on current government thinking in the area of block-chain related technologies.		Low impact, low likelihood



