

Isle of Man
Gambling Supervision Commission



Annual Report
2020/2021
GD2021/0097

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1. Chairperson's Statement

As I reflect back over the year I am reminded that we started this reporting year in one lockdown and ended it in another. The global pandemic was still with us, lockdowns remained a feature of life and working from home became all too familiar. However, it would be unfair to characterise the year as one of interruption. On the contrary. I have a great sense of achievement for the work that the Gambling Supervision Commission (GSC) has accomplished in somewhat trying circumstances and in what transpired to be a very busy period of new applications.

In my foreword for the last annual report I mentioned how adept the GSC is at measuring risk and solving problems. Admittedly these were skills and knowledge gained from our years regulating the Island's gambling sector, but they are largely transferrable. This year the GSC has assumed the role of medicinal cannabis regulator and that knowledge, and those skills, have been called upon as we bring this new sector under our supervision.

It has been an enormous challenge to engineer the regulatory framework. We have had to understand the many areas of law that govern this sector and work within the oversight of the UK Home Office. It has consumed a significant amount of the GSC's resource but we have been careful to ensure that its implementation hasn't diverted staff resources from delivering our core functions. We have relied on the resilience of all to ensure its successful integration and implementation. It is doubtful that this work is over and as we begin to process applications it is inevitable that we will learn how well our assumptions map to reality and we may be obliged to fine tune our procedures.

To some regulating medicinal cannabis may look like an unlikely fit with our role as a gambling regulator and I have been asked why we think we are capable of regulating this sector, or even if we should. This is not an unreasonable question. There is however, a strong synergy between the two sectors, specifically in the common processes (for vetting owners and controllers for example) and common infrastructure for risk control, both of which I think we do very well. Furthermore, this is not an uncommon approach with other jurisdictions where both gambling and cannabis are regulated by one regulatory authority. We have regulatory colleagues around the world that have knowledge and experience we can, and do, call upon. However, there's a more fundamental reason why we are the right regulator for the job. When we were asked to regulate this new sector our people didn't say, "it's not the right time," (because it never is the right time) but rather, "when do we start?"

Jon Allen

2. Chief Executive's Statement

This year, as in the previous, we were required to work under lockdown conditions. Staff once again swapped their desks in the office for spare bedrooms, kitchen tables and lounges from whence families were shooed when GSC business required privacy. I am of course pleased that life seems to be returning to some form of normality and I have to hope that we have the worst of the pandemic behind us now.

Putting the pandemic to one side, it is undeniable that the GSC has continued to face challenges. Partly that lies in the continuing attraction of the Isle of Man as a licensing jurisdiction, partly in the work of the Department for Enterprise and partly in the software licence introduced some years ago, which now accounts for approximately one third of all online licences we issue. In short, the sector we are regulating is growing rapidly.

Of course I am proud of what we continue to achieve, but my focus has to remain with the management of risk – risk to consumers, the risk of criminal infiltration into the sector and the risk that gaming becomes unfair, even if only by accident. To do this I must have a staff that is properly trained to conduct entry controls into the sector and to supervise licensees that we have approved.

Of course it is not unique to the GSC, but the process of recruitment is nevertheless painstaking and comes at the cost of other projects in the GSC. Lead times on acquiring successful recruits are significant and it is a fact that the more operators we license, the higher the private sector's demand for individuals to fill the posts that target the very skills we give to our trainees.

Last year I mentioned that the GSC was part of a multi stakeholder initiative seeking to combat problem gambling through effective and intelligent interventions. While this initiative has made progress, the pandemic has caused personnel changes in key stakeholders and it has not progressed as quickly as planned. Work continues to build the solid foundations on which this initiative will stand and I remain hopeful this collaborative effort will bring about an improved understanding of problem gambling and the most appropriate interventions and solutions.

If I have talked about challenges, there has also been opportunity. Last year, the Department for Enterprise worked up a framework for medicinal cannabis and this year we were asked if we could launch the regulatory element of that sector. It has been a significant project to hammer the law into shape and put guidance in place and there is inevitably more work to be done as we refine our approach, but we have made a solid start and started to accept applications.

In retrospect, it is tempting to ask the question: "why, given these challenges you already have and with the core business running at high capacity, would you agree to launch an entirely new regulated sector, with its complexities and unknowns?"

My answer is simple: it is in the national interest.

Steve Brennan

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. In December 2020, legal powers were transferred to the GSC to allow the licensing and regulating of the Isle of Man medicinal cannabis sector.

Regulatory Objectives

The GSC has three core principles for its work in the gambling sector and one core for its work in the medicinal cannabis sector. 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;
- preventing gambling from being:
 - o a source of crime or disorder;
 - o associated with crime or disorder; or
 - o used to support crime; and
- preventing the misuse of cannabiniol, cannabiniol derivatives; cannabis or cannabis resin;

and where these key principles are not compromised:

- ensuring that gambling products promoted by operators in the Island can compete effectively throughout the world; and
- Facilitating competition and the provision of modern products and services in the gambling sector.

The term 'misuse' in relation to controlled drugs, including cannabis, is inspired by the United Nations Single Convention on Drugs from 1961, which identifies the medical benefits of certain narcotics (for example, in anaesthetics), but condemns the effect of addiction on society.

How we apply our regulatory objectives

In satisfying our regulatory objectives, we apply three organisational values:

- We seek to be trusted with our custody of the sectors we regulate, which means that we pride ourselves on understanding the complex technicalities of the sectors and managing the risk that arises from them;
- We seek to be balanced, so that those who deserve our trust, because they are compliant with our requirements, have more freedom to operate; and those who fall short receive more of our attention until they have come up to standard; and finally
- We seek to be efficient with the resources entrusted to us by Government. We try to retain our staff because recruitment is expensive on time and resource; we try to

economise when we make decisions on equipment and travel; and we employ the minimum number of staff in order to remain effective for licensing and supervision.

4. The Board of Commissioners 2020/21



Jon Allen
Chairperson



David Butterworth –
Deputy Chair



Suzanne Collins
Member



Howard Callow
Member



David Reynolds
Member



Greg Petts
Member

Commission Appointments and Membership

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.

Commission membership for the 2020/21 year		
Position	Member	Expertise
Chairperson	Jon Allen	Technology & Commerce
Deputy chair	David Butterworth	Information Technology
Member	Suzanne Collins	AML/CFT & Compliance
Member	Howard Callow	Financial
Member	David Reynolds	Legal
Member	Greg Petts	Audit

The GSC is in the process of recruiting a new member, to replace Howard Callow, whose term of office has expired. The Board is grateful for Howard's continued membership while the process of recruitment continues.

Staff Changes

During the 2020/21 year headcount increased by three positions comprising a second Technical Specialist, an additional Officer to support the Data Protection Officer and an additional Inspector.

During the period there was one leaver and two internal promotions. New hires represented the first phase of planned increases to headcount and backfilling internal promotions and brought valued experience from their work in law enforcement, taxation, corporate services and the gambling sector.

Commission Meetings

The Board of the Commission meets on a monthly basis. In certain circumstances additional Board meetings are convened. For a meeting to be quorate a minimum of three Commissioners with one being either the Chairperson or Deputy Chairperson is required. The licensing decisions of the Board for 2020/21 are shown below:

Licensing decisions for the 2020/21 year		
Type of licensee	Licences approved, granted or renewed	Licences declined or surrendered
Licensed betting offices	3	0
Land based casinos	1	0
Controlled machine suppliers	2	0
Online gambling operators	22	8

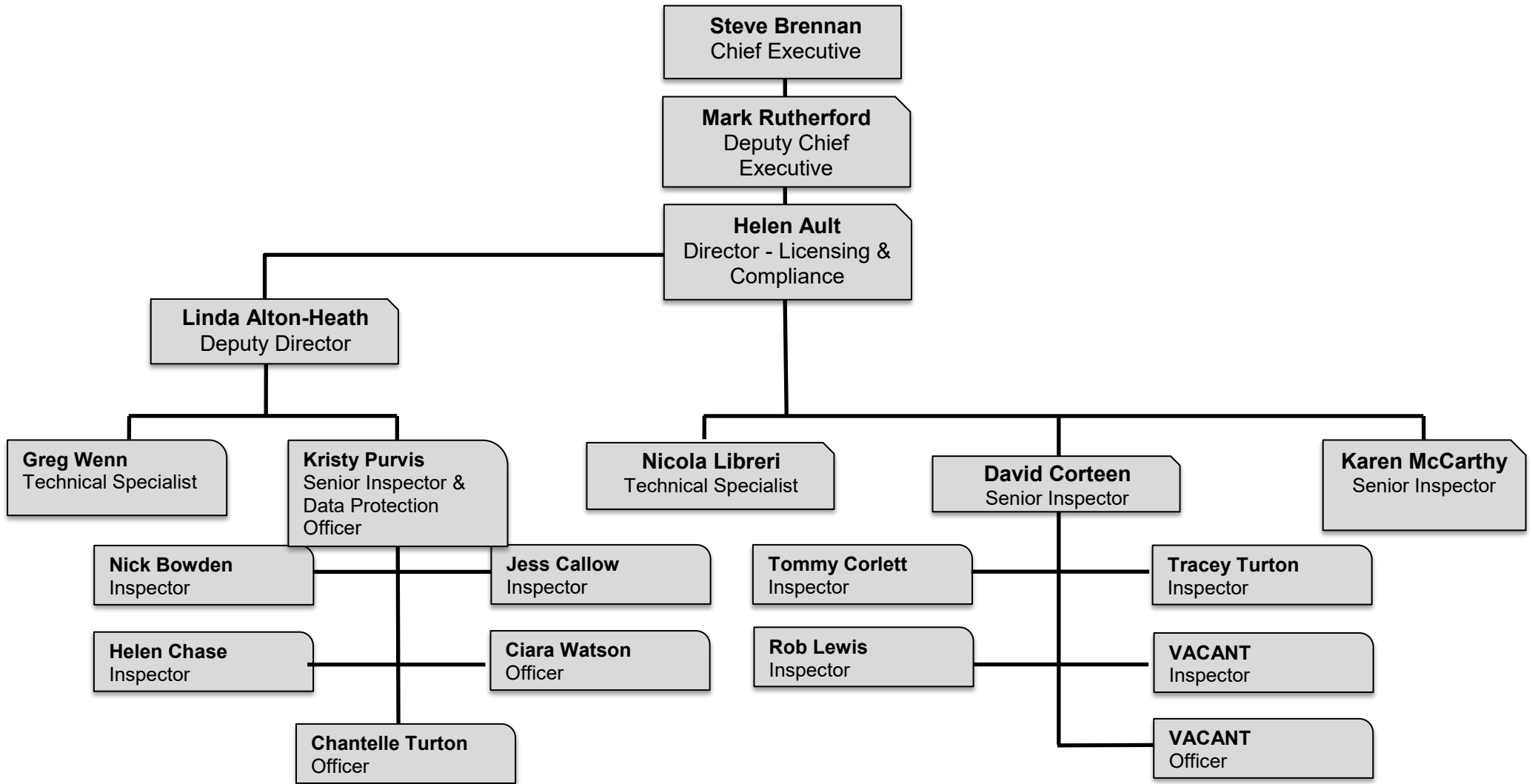
¹ Tynwald is the Isle of Man's combined court consisting of the lower, legislative house (the House of Keys) and the upper, revising chamber (the Legislative Council).

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;
- Industry: consultation on regulatory and supervisory proposals; and
- Other national regulators of licensees.

5. Organisational Chart



As at 01.04.2021

6. A Year in Review

The Regulation of a Medical Cannabis Sector

In February 2020, the GSC became aware that the Business Agency of the Department of Enterprise was researching the establishment of a medicinal cannabis sector in the Isle of Man. Part of that research studied the feasibility of setting up a new regulatory body. By September 2020, it was apparent that a dedicated regulator would be expensive to set up, and that it would take a considerable amount of time to recruit the staff and put all of the regulatory machinery in place. For that reason the plan changed and Treasury asked the GSC if it could take on the regulatory function for the new sector in late 2020.

The legislation was finalised in December and the key licensing functions were transferred to the GSC from the Department of Health and Social Care. All arrangements for licensing were put in place by January 2021. The GSC subsequently created all of the processes and guidance for the new sector and began receiving applications in June 2021.

As the sector's operations began outside the scope of this report, full details of the sector will be included in next year's report. However, in anticipation of interest in this new area of regulation, the following 'state-of-the-nation' summary is provided below.

Medicinal cannabis sector facts for the 2020/21 annual report	
Date licensing opened	June 10 th 2021
Applications received to date	6
Applications declined to date	1
Applications acknowledged to date	2
Applications work in progress (September 2021)	3
GSC staff working full time on medicinal cannabis	4 FTE
Approved fund for canna regulation (3 years)	£219,487 (20/21) £393,223 (21/22) £417.856 (22/23)
Expenditure on cannabis regime to date	£112,752 (20/21)
Projected licence fees on approvals to date ²	£0

International Association Memberships

The GSC is a member of the European regional regulatory association, the Gambling Regulators of Europe Forum (GREF). It is also a member of the worldwide regulatory association, the International Association of Gaming Regulators (IAGR). These two associations provide the GSC with the opportunity to meet, exchange views and information and discuss

² Cannabis licensees pay their fees when they first need the licence to protect them from the provisions of the Misuse of Drugs Act, and usually after capital projects have been completed, other regulatory accreditation has been acquired and activity is ready to commence.

policy issues and matters of common interest. Additionally and importantly, they are an opportunity to build professional relationships and cooperation between regulators.

During lockdown, and during the aftermath, the GSC did not travel. Instead it introduced Covid 19-compatible measures that inevitably made heavier demands on video-conferencing. It remains to be seen whether conferences that were conducted by leveraging this technology revert to physical venues, or instead draw upon the new format in the future. Notwithstanding, and pandemic conditions allowing, it is foreseeable that the GSC will still supply support to the Department for Enterprise's stand at the annual International Casino Exhibition (ICE), should that go ahead in 2022.

The Effect of the Pandemic

The Isle of Man experienced a second lockdown in an effort to control the incidence of serious cases in the health system until a vaccine could be developed and administered. The GSC's staff worked from home during this period, and capitalised on the learning derived from the first lockdown.

The use of IT assets designed specifically for mobile working combined with applications supplied by the Government's IT supplier (Government Technology Services) significantly streamlined home working and allowed the GSC to process a significant number of licenses for online gambling. The practice of working from home was impacted by the quality of each staff members' internet connection; those with fibre experiencing no deterioration whereas those in rural areas experienced variable quality connections, which occasionally made home working impossible except through the use of phones.

Local Sector

The local sector consists 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.

This year, the anti-money laundering regime was focussed onto local betting offices' compliance with the 2019 Code³. Considered by the National Risk Assessment to be lower risk, the findings are still being compiled at the time of writing.

Betting Integrity Expert Group

Betting integrity is the sum of mechanisms used by regulators, sport governing bodies and law enforcement to detect, disrupt and sanction cheats within sport and cheats who gamble on matches whose outcomes they have influenced or know to have been influenced by means of coercion or inducement. This dishonest behaviour is sometimes known as match-fixing.

Throughout 2020/21, the GSC continued to work closely with the various sporting bodies, receiving 164 sports betting integrity queries.

As reported last year, there appears to be a cycle in sport: to begin with, integrity issues are hidden, then they are exposed, then they are properly reported and they are managed out of the sport by the stamina of the stakeholders that want it to be wholesome.

The vast majority of the queries received during 2020/21 were from the Esports Integrity Council (ESIC)– suggesting that the esports sector may still be in the early part of its cycle of

³ The Gambling (Anti-Money Laundering and Countering the Financing of Terrorism) Code 2019

integrity. ESIC has continued to grow its membership, adding further betting operators and indeed even tournament organisers to its list. ESIC also issued over 80 bans during 2020/21 for violations. It remains to be seen whether these interventions will result in a reduced number of enquiries as the sector matures.

Virtual Currency/Convertible Virtual Currency in Gambling

In 2016, the GSC introduced regulations allowing the use of virtual currencies and virtual goods within the gambling eco-system. Convertible (to cash) Virtual currencies (CVCs) include the well-known bitcoin as well as a plethora of other currencies, known as alt-coins. Virtual goods (Virtual currencies – VCs) include “skins” which are used to decorate avatars and items of equipment in video games, as well as game gold and the contents of loot boxes.

Seven licensees currently apply the framework that the GSC requires for licensees operating with CVCs and VCs. The regulated sector remains a tough environment for Isle of Man operators, who have compliance overheads that their unregulated competitors don't have. Overall this number represents two departures and one new licence.

Interest in the Regulation of Video Game Tournaments

Video gaming is now a very large, global industry and certain video games have become professionalised to the extent that teams of players can be supported and paid out of the proceeds of video gaming alone. Tournaments between these teams attract tens of thousands of spectators to stadia and hundreds of thousands of viewers online. The prize pools in these tournaments regularly top a million dollars.

The GSC has continued its membership of this project while the Isle of Man's strategy and, more specifically, the extent of any regulation is considered.

Brexit

Brexit continues to have minimal impact on the Isle of Man's gambling sector because a large proportion of Europe, including the UK before it left, already has country-specific regulation that requires licensing with authorities in each state; licensees that operate in the Isle of Man must acquire additional licenses in each European territory in which they wish to offer products.

Anti-Money Laundering Expertise

As an anti-money laundering and countering the finance of terrorism (AML/CFT) supervisor the GSC assists in the development of national standards and compliance with international standards through participation in the National Risk Assessment, taking part in the Isle of Man's mutual evaluation by MONEYVAL (a monitoring body dedicated to assessing compliance with international standards to counter money laundering and terrorist financing) and maintaining a sustained programme of AML/CFT supervision. Staff are supported to develop AML/CFT expertise by studying and acquiring internationally recognised AML/CFT qualifications.

The GSC's Director of Licensing and Compliance holds the status of a MONEYVAL Assessor. As part of a peer review team the Director was selected in November 2020 to assist in the mutual evaluation process of another MONEYVAL member jurisdiction and supported by the GSC.

Annual AML Training is undertaken by all staff and eight members of the team have additionally achieved an ICA Certificate in Money Laundering Risk in Betting and Gaming. Two staff hold an ICA Diploma in AML/CFT and one a Certified Anti-Money Laundering Specialist (CAMS) certification. Areas of specialist training undertaken include—

- Financial Action Task Force (FATF) Standards and Immediate Outcomes;
- FATF Risk Based Supervision;
- FATF Trade Based Money Laundering;
- MONEYVAL standards;
- ECOFEL Professional Money Laundering Certificate; and
- Basel Institute Cryptocurrency and AML Compliance and Crypto Asset Tracing.

MONEYVAL (Isle of Man)

The GSC works closely with other supervisors under the guidance of the Government’s AML/CFT Policy Office to ensure the Isle of Man meets the expectations of MONEYVAL and to align supervision with the changing international standards.

In October 2020, MONEYVAL published a follow up report noting the Isle of Man’s continued progress in tackling money laundering and terrorist financing since the mutual evaluation carried out in 2016. The Island remains in enhanced follow up procedures until the next mutual evaluation, but reports to MONEYVAL⁴ every three years instead of annually.

The GSC has positively contributed to progress in this area through the implementation of a new AML/CFT Gambling Code and the publication of sector specific guidance.

Development of an IT Solution

The GSC continues to develop additional functionality for its ATLAS system, the development of which is co-shared with the Financial Services Authority. The next enhancement will allow data from returns made to the GSC by its licensees to be automatically imported into the database so that specialised management information systems can examine them.

The ATLAS project is in its third year and remains within its budget.

Operator Social Responsibility

Licensees are 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 with any licensees that miss the contribution date.

Operator contributions to support education, research and treatment of problem gambling for the 2020/21 year		
Financial contribution to organisations in the Isle of Man	Financial contribution to organisations not in the Isle of Man	Total of financial contributions to organisations
£147,570	£282,763	£430,333
Non-financial contributions	All contributions this year were financial.	

De-licensing Activity

The GSC infrequently finds itself in the position where the exercising of its enforcement powers is considered necessary.

It is the GSC’s strategy to work with operators to clearly set out its requirements, to provide guidance and reasonable timeframes for compliance or remediation. In cases where there are serious compliance failings, concerns regarding beneficial ownership, control or financing of an

⁴ <https://www.gov.im/about-the-government/departments/cabinet-office/fatf-and-moneyval/>

operator, the GSC is compelled to take formal action in order to protect the public and the reputation of the Island's gaming sector. In all cases of enforcement action the GSC will present its rationale to the licensee, allow the operator the opportunity to make representations and comply with any requirements of the Gambling Appeals Tribunal in the event of an appeal.

This year it did not prove necessary to remove any licences from licensees.

Regulatory re-brand – part 1

The request from Treasury to assume regulatory responsibility for medicinal cannabis regulation came with the suggestion that the GSC consider broadening its corporate identity to include medicinal cannabis in its correspondence and messaging.

This work began in January, with the Gambling Supervision Commission becoming simply GSC for all cannabis related material.

Part 2 of this project will see the GSC's gambling material brought into alignment and if the GSC is able to obtain a legislative slot in the new administration's timetable, then the GSC will consider using the opportunity to change its name.

AML Forum

Established in 2016, originally as a forum for MLROs, the AML Forum provides a mechanism for the GSC to provide updates regarding legislation, trends and typologies and to offer subject matter experts an opportunity to address the forum as guest speakers. It also provides a single point of contact for operators to communicate with the GSC as well as the opportunity for networking. In 2019 the group membership was expanded to include AML/CFT Compliance Officers in response to the new AML/CFT Code requirements.

The group has held 13 meetings since 2016 and held its 14th meeting in December 2020 adhering closely to pandemic restrictions and social distancing recommendations. The meeting was attended by representatives from 25 individual licence holders and included attendance by other supervisors, the Financial Intelligence Unit (FIU) and representative of other government departments. Subjects discussed included –

- Consultation on AML/CFT Code guidance;
- Application volumes;
- Product trends and risks;
- Supervisory visit findings and feedback;
- Supervisory process updates and changes;
- Staffing and recruitment;
- Regulation of cannabis and industrial hemp cultivation;
- FIU updates; and
- Typologies.

Attendees were kept updated during the year with any guidance and updates via a dedicated mailing list and subjects for engagement included guidance on integrity processes, guidance for virtual currency users, guidance for software suppliers, information gathering in relation to emerging risks, portfolio reviews, AML Self Assessments and remote supervision measures.

Inter-Regulatory Cooperation

The GSC's membership in the regulatory associations remains important for building and

developing relationships with fellow regulators. The GSC is often called upon to share its knowledge and expertise in a specific field or regulation more broadly.

Despite the restrictions imposed by the global pandemic, the GSC continued to maintain good working relationships with other regulators, including co-working with the gambling regulatory authorities in the UK on common cases. With the easing of restrictions on travel, the GSC will meet its UK regulatory counterpart for the control of cannabis licensing (the Drugs and Firearms Licensing Unit of the Home Office) for the first time, when its representatives visit the Isle of Man as guests of the GSC.

Domestic Authorities

The GSC recognises the importance of domestic and foreign cooperation in the prevention, detection and investigation of financial crime.

The GSC has worked closely with the Island's FIU since it was established as a separate body in 2016. The FIU plays a key role in the GSC's integrity checks on new operators, their owners and controllers. Information is also exchanged in relation to suspicious activity reports relating to the gambling sector.

During the period the GSC also requested information from, or provided information to the Economic Crime Unit, Customs and Excise and the Income Tax Division.

The Licensing Regime for Software

In February 2019, the GSC created regulation for the licensing of software suppliers as an alternative route for the assurance of software. The new regulations allow Isle of Man operators to take software directly from a supplier that is licensed and allows software licensees to list their approved software on the GSC's website for operators to browse.

Software licensing continues to diversify the GSC's licensing base, with one third of all licensees in the much expanded licensing estate being software suppliers.

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 all sectors of 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. A representative from the AML Forum now attends this group in addition to the GSC's representative.

During the period no meetings were held due to Covid-19 pandemic restrictions.

In addition to representation on the Advisory Group, the GSC co-hosts the AML/CFT Technical Group along with the FSA. This is a public sector forum tasked with enabling the co-operation and co-ordination between relevant officers in Government, supervisors and law enforcement in the combatting of money laundering and terrorist financing. The group met in November 2020 and was hosted by the GSC. Various legislative developments, national and international strategic developments and key issues were subjects for discussion.

Freedom of Information Requests

The GSC is subject to the Freedom of Information Act, which creates a mechanism for members of the public in the Isle of Man to request information held by the GSC.

Freedom of information requests for the 2020/21 year	
Information requested	GSC's response
Parties in a private (non-work related) dispute sought to understand the extent to which a member of staff (involved in the dispute) had used GSC infrastructure (e.g. email) for communications related to the dispute; and with whom, within government, that staff member had communicated with in respect of the dispute.	Responses supplied

Consultations

The GSC recognises the value of consulting on changes in law and policy and often consults on policy changes and secondary legislative changes.

Consultations for the 2020/21 year	
Date	Consultation
May 2021	The GSC consulted informally on the suitability of its guidance for the medicinal cannabis sector, and made a number of important revisions before publication, based upon feedback received in the consultation.

Whistle-Blowing

The GSC has a duty to protect its staff when they make disclosures.

Instances of whistle-blowing for the 2020/21 year	
Number of instances recorded	Nature of the disclosures
0	N/A

Data Protection

The GSC applies the Isle of Man's version of the European Union's General Data Protection Regulation (GDPR), the GDPR and LED Implementing Regulation's 2018. As the GSC is a law enforcement agency, it must ensure compliance with both the general GDPR and the Law Enforcement Directive (LED).

Although impacted by the pandemic lock downs, the Data Protection Officer (DPO) and Deputy (D/DPO) have represented the GSC at internal and external stakeholder meetings during the last year, including the Isle of Man Government's Information Governance meetings. The D/DPO also attended several Isle of Man Government-arranged data protection training courses.

During 2020/21 the DPO and D/DPO liaised with the Public Records Office to update the Information Retention and Destruction Schedule, which now includes digital content. This was a large and complicated piece of work because of the nature of the GSC as a public body. Details of this Schedule are available upon request and it will be published with the new GSC website in 2022.

During 2021, the D/DPO completed a project to ensure the appropriate agreements were in place with operators to support the Inspectorate's desk-based supervision and to ensure the GSC operated in compliance with the GDPR. This was an important task to be completed given the uncertainty surrounding future lockdowns.

During 2020, the DPO and D/DPO were involved in the creation of the cannabis licensing process. This was a collaboration with local stakeholders to consider legal requirements that are not strictly within the GSC remit. The GSC completed Data Protection Impact Assessments for all new, as well as existing processes to assess the possible risks to data subjects. A review of applicant consent and transparency was undertaken, which included the creation of a new cannabis licensing privacy notice.

During the creation of the cannabis licensing process, new data protection relationships were forged with other industry stakeholders such as finance, the local police and other government departments to ensure that the correct information sharing pathways were in place.

The GSC continues to develop its IT system, Atlas; the DPO provides advice and guidance on the collecting and processing of data.

The DPO manages the Records Management, GDPR and data governance of the GSC, maintaining the records of processing activity; maintaining all of the required legal registers; and fulfilling all reporting functions.

Data protection breaches for the 2020/21 year	
Number of data protection breaches	None
Number of breaches reported to the Information Commissioner	None
Notes on breaches	N/A

People whose personal data is held by an organisation such as the GSC are known as data subjects. These people may apply for access to the version of personal data that the GSC has in its records. These are known as data subject access requests (DSARs).

Data subject access requests for the 2020/21 year	
Number of DSARs made	4
Of which, appealed to the ICO	0
Of which, upheld by the ICO	0

This year, the GSC received and processed four data subject access requests.

All requests were processed within the prescribed period.

Complaints Against the GSC

Complaints about the GSC's Inspectorate can be made to the board and the GSC is subject to the Isle of Man's doleance procedure. This section does not include appeals against the GSC's licensing decisions or complaints made to the GSC about operators. Neither does it detail appeals that relate to the GSC's implementation of the General Data Protection Regulation as applied in the Isle of Man.

The GSC received two complaints in the reporting year that did not refer to licensees, but rather were made against the conduct of the GSC as an organisation.

The first complaint was received from a member of the public who demanded compensation from the GSC for problems caused by problem gambling. The GSC was unable to agree the complainant's grievance nor meet their demands.

The second complaint was received from a licensee who requested a review of the GSC's permissions with respect to controlled machines, specifically those machines that allow multiple lines to be staked and which can pay out jackpots in excess of the legal limit of £100, albeit as a result of multiple bets being simultaneously resolved. The GSC investigated the complaint,

drawing upon legal advice and agreed the legislation was unclear. The GSC has resolved to clarify the law.

General complaints against the GSC for the 2020/21 year		
Open complaints at the start of the reporting year	New complaints received during the reporting year	Open complaints at the end of the year
0	2	0
General complaint outcomes for the 2019/20 year		
Complaints resolved in favour of GSC	1	
Complaints resolved in favour of the complainant	1	

Appeals Against GSC Decisions

A substantial part of the GSC's role is to make decisions on licence applications and renewals, to make determinations about the fitness and propriety of individuals and to conduct investigations with tangible implications for operators. Isle of Man legislation provides several mechanisms by which GSC decisions can be appealed.

Appeals made against decisions of the GSC for the 2020/21 year		
Open appeals at the start of the reporting year	New appeals received during the reporting year	Unresolved appeals at the end of the year
0	0	0
Appeal outcomes for the 2019/20 year		
Appeals resolved in favour of GSC	0	
Appeals resolved in favour of the appellant	0	
Appeals withdrawn by the appellant	0	

Bribery and Corruption

The GSC operates an anti-bribery and anti-corruption policy, and records instances of reports under the Bribery Act 2013.

Instances of bribery/corruption reporting for the 2020/21 year	
Number of instances recorded	Disposal of reports
0	N/A

Licensed Online Operators in the Period

Licensed operators during the 2020/21 year	
Licensee	Licence type
5D International Ltd	Full
Ableton Prestige Global Limited	Full
Aceking IOM Limited	Full
Alliance Gaming Solutions Limited	Network Services
Andromeda Limited	Software Supply

Annexio Limited	Full
Autonomode Limited	Full
Babylon Gaming Limited	Software Supply
Blue Lotus Limited	Network Services
Bootstrap Technologies Limited	Software Supply
Celton Manx Limited	Network Services
Chrysalis Ltd	Full
Crombec Limited	Software Supply
Cube Limited	Full
Dalmine Limited	Sub-Licence
Deriv (MX) Ltd	Full
Empire (IOM) Limited	Full
Endon Technologies Limited	Software Supply
Epiry Solutions Limited	Software Supply
Eurorace Limited	Full
Fair Sports Limited	Software Supply
FC Network Limited	Software Supply
Funfair Holdings (IOM) Limited	Token Based Software Supply
GG International Limited	Network Services
Golden Bridge Drive (IOM) Limited	Software Supply
Hero Manx Limited	Full
Ioway Internet Gaming Enterprise Limited	Full
Jinni Tech Ltd	Full
King Gaming Limited	Full
LOTP Limited	Full
Mahjong Logic Limited	Network Services
Maya Game Technology Limited	Software Supply
Mayfly Entertainment Limited	Full
Mersey Sports Limited	Full
Nolimit City Services Limited	Software Supply
Omega Interactive Limited	Software Supply
Onetouch Technology Limited	Software Supply
Plannatech (IOM) Limited	Network Services
Premier Gateway International Limited	Full
Quanta Technology Limited	Full
Rational Entertainment Enterprises Ltd	Network Services
Real Time Games Holdings Limited	Full
Rivalry Limited	Full
RoBET Limited	Full
SDN Gaming Limited	Full
Shelgeyr Limited	Full
SK IOM Limited	Full
Solar Spirit Gaming Limited	Software Supply
Solarstorm Limited	Software Supply

Solid (IOM) Limited	Software Supply
SP International Limited	Full
Sportmarket Services Limited	Full
SuprIsle Limited	Full
Tain (IOM) Ltd	Network Services
TGP Asia Limited	Network Services
Totus Limited	Network Services
Unikrn Limited	Full
Unitone Group Limited	Network Services
Webis Holdings plc	Full
Welton Holdings Limited	Network Services
Worldwide Gaming Limited	Full
Wow Entertainment Limited	Full
Yggdrasil Gaming Isle of Man Limited	Software Supply

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 2020/21.

AML/CFT Supervision

Terrestrial Visits Including AML/CFT:

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

- 1 casino visit in 2020/21 with AML/CFT included.
- 3 bookmaker visits in 2020/21 with AML/CFT included.

Terrestrial operators were subject to ongoing closures as a result of lockdown and so-called 'pandemic circuit breaker' activity and experienced no or low activity during the period lessening the supervisory risk. When measures had eased, onsite supervisions were carried out and compliance with the new AML/CFT Code requirements for terrestrial licence holders was assessed.

Online Visits Including AML/CFT:

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

Each operator is subject to a full 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 AML/CFT inspection;

- an AML/CFT health check: where a full AML/CFT inspection has previously occurred with no serious concerns, AML/CFT areas of review are incorporated into a general compliance visit; or
- a thematic AML/CFT follow-up, focussing on a specific AML/CFT matter as part of a follow-up action due to previous failings or identified concerns.

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; and
- 10) Compliance culture.

Any single breach of the Code results in the relevant area(s) of the report being marked as “Deficient”. This applies regardless of whether the breach occurred as a one-off, occurred as a result of human error or was simply 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. In order to further enhance the GSC’s risk based approach, scoring for AML/CFT deficiencies are now divided into minor and major deficiencies. This allows for more accurate risk ratings.

Due to ongoing travel restrictions, lockdowns and circuit breakers resulting from the Covid-19 pandemic, visits were delayed in line with restrictions and recommendations. As a result of this a new programme of desk based review and remote supervision was developed for online operators.

From January 2021 AML/CFT Self-Assessments were requested from all OGRA licence holders.

Three year rolling statistics, sector AML/CFT compliance visits for the 2020/21 year			
	2018/19	2019/20	2020/21
Number of AML/CFT visits	19	22	1
Number with 100% compliance	15	16	0
AML self-assessments requested			
Software Supply only licence holders			16
Full B2C licence holders			24

There were no instances of serious deficiencies and all identified minor deficiencies were the subject of remediation plans. Desk-based assessments of operators were underway in March 2021 and compliance outcomes will be reported in the next annual report.

Dispute Resolution

From time to time players contact the GSC, sometimes in relation to a complaint about an operator. All licence holders of the GSC are expected to offer a dispute resolution process to deal with cases where a player feels 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".

Complaints statistics for 2020/21					
Core principle	Number of complaints received*	Number of complaints resolved*	Where a dispute occurred, findings in favour of:		
			Complainant	Operator	Mutually resolved
Excluding Crime	54	53	3	12	38
Protecting young & vulnerable	5	5	0	0	5
Fairness in gaming	71	70	9	6	55
Undefined (No Response after initial contact)	27	25	0	0	25

* included in this figure are both complaints received regarding non IOM licensed entities and complaints that are dormant following no further information being received. For these complaints no findings were made.

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

Complaint statistics – companion table	
Crime	Collusion ¹
	Identity requirements as a barrier to withdrawal of funds ²
	Rigging of fairness, use of bots ³
	Suspension of accounts
Fairness	Bet disputes, including operator mistakes
	Winnings not received
	Game rules or terms and conditions disputes
	Software or hardware related failures
Protection of the young and vulnerable	Chat issues, including verbal abuse
	Marketing related, including inappropriate messaging ⁴
	Self-exclusion disputes or failures ⁵
Notes	

1 Collusion: two or more players agree to cooperate rather than to compete in order to gain an advantage over other players at the table in a peer to peer game.

2 ID requests: Anti-money laundering rules, which commonly require photo-ID, can be confusing to new players, who are wary of sharing their identity information with the licensee.

3 Bots: Bots are computer scripts launched by players to interface with gambling software. They react to the game in a pre-programmed way and are generally better than poor players but worse than good ones. Most operators forbid the use of bots on their sites.

4 Inappropriate messaging: This occurs when a player has self-excluded and continues to receive marketing material and incentives to gamble.

5 Self-exclusion: All licensees are obliged to offer facilities that allow players to voluntarily ban themselves from the site, for a fixed period or permanently.

Appendix 1 – Supervision Activity 2020/21

The following table shows the visits undertaken in the period:

Licensee general compliance visits for the 2020/21 year	
Type of operator	Visits
Licensed betting offices	3
Casino	1
Online gambling companies	1

Due to the recent restrictions on travel, lockdowns, circuit breakers and global travel uncertainty, most on-site visits were unable to take place. In order to maintain supervision the GSC kept in contact with operators and used the opportunity to review its supervisory tools and develop a strategy to recover the supervisory position.

The review determined that a more flexible regime could be implemented, which could be tailored to the diverse nature of the sector and further implement a risk-based approach. This resulted in a split of supervisory visits, dividing into:

- technical assessments (that test the soundness of policies and procedures); and
- effectiveness assessments (that test how well those policies and procedures are implemented).

On-site visits are now scheduled in line with the risk profiles, based in part on new self-assessment questionnaires for AML/CFT compliance.

AML/CFT Self-assessment questionnaires processed for the 2020/21 year	
OGRA licensee	24
Software Supplier licensee	16
AML/CFT Visits carried out in 2020/2021	
OGRA licensee	1

A number of online licensees use 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 these 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 for the 2020/21 year	
Checks completed	17

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

Licensee returns submitted to the GSC for the 2020/21 year	
Type of return	Submissions
Casino unusual incidents	8
Casino return-to-player reports	4
Licenced Betting Office Annual Returns	3
Online gambling quarterly reports	165
Society Lottery returns	53
AML/CFT Returns	152

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

Description of Return types deployed for supervision	
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>
Licenced Betting Office Annual Returns	<p>These returns detail compliance with aspects of social responsibility, regulatory compliance and personnel training. They also collate financial data on each product offered.</p> <p>The financial data is analysed for signs of financial difficulties and the compliance checklist acts as a reminder to licensees of their obligations.</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>
Society lottery returns	<p>Society lotteries (typically charity fund-raisers) supply a summary of each lottery conducted allowing the GSC to confirm that the lotteries are being conducted within the limits allowed for in law.</p>
AML/CFT return	<p>Submitted quarterly, these reports show:</p> <ul style="list-style-type: none"> - summary of player data including- <ul style="list-style-type: none"> o active numbers;

	<ul style="list-style-type: none"> ○ number of high risk players; ○ numbers of internal and external disclosures; ○ number of virtual currency/goods accounts; - breakdown of jurisdictional transactions; - Number of transactions by type, (fiat or virtual). <p>This return is analysed to identify any potential issues with monitoring of player transactions, risk levels, transaction types and jurisdictions.</p>
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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 for the 2020/21 year	
Accounts analysed	35

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 Isle of Man 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 for the 2020/21 year	
RM checks conducted	12

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

This year, the difference between what the GSC generates in licence fees and what the GSC costs to run (the differential) increased by 15%.

Income and Expenditure breakdown for the 2020/21 year, with comparator for 2019/20		
Income categories	2019/20	2020/21
Gaming Betting & Lotteries Act fees ¹	1,595	2,190
Gaming Amendment Act fees	22,236	21,368
Online Gambling Regulation Act fees ²	1,875,000	2,229,978
Casino Act fees ³	50,101	400
Other income ⁴	0	3,220
Total Income	1,948,932	2,257,156
Expenditure categories		
Salaries ⁵	803,781	942,854
Commissioners' honoraria ⁶	92,710	70,831
HR costs ⁷	4,619	4,860
Premises	0	0
Professional fees ⁸	57,346	61,248
Travel ⁹	15,247	0
Operating Expenses ¹⁰	72,969	138,140
Other Expenses	0	0
Total Expenditure	1,046,672	1,217,933
Balance	902,260	1,039,223

Figures subject to rounding

Notes to the Table

1 Gaming, Betting and Lotteries 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 and a software supplier licence cost £35,000 per annum and allow 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. A token-based software supplier licence costs £50,000 per annum and permits an operator to use a purpose-created cryptocurrency token in a gaming eco-system, which is used by players, game designers, affiliates and operators.

3 Casino Act fees relate primarily to the fees payable to hold a Casino Licence but also include administration fees payable for 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 from 2020/21 and a corresponding increase for Customs and Excise (not shown).

4 Other Income that does not relate to licensable activity, for example cross-departmental recharges for shared services.

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

GSC employee salaries for the 2020/21 year	
Pay range	Number of employees
<£99,999	18
£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 for the 2020/21 year	
Total paid	£0

6 Each Commission member is paid an honorarium. The chairperson 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 for the 2020/21 year	
Government providers	£0
External providers	£4,860

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 for the 2020/21 year	
Accountants	£4,700
Enhanced due diligence	£38,219
Legal fees	£8,000
Police checks	£593
Other	£9,737

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
- iGB (i-Gaming Business), a two day e-gaming specific trade show, typically held in a European capital.

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. Where hotel accommodation is required, the GSC seeks to use Premier Inn, or subsidised conference venues at a similar price point.

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

GSC subsistence expense claims for the 2020/21 year	
Total claimed	£0

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

Operating expenses (item components) for the 2020/21 year plus loan charges	
Stationery, office supplies, printing	£5,177
IT provision	£55,055
Of which, hardware	£36,666
Of which, maintenance	£18,840
ATLAS development	£15,740
Loan Charges*	£45,000

*loan relates to capital expenditure for bespoke Regulatory System, ATLAS

Appendix 3 - Annual Plan

Progress Against Last Year's Plan

Open and Planned Projects for the 2020/21 Year
<p>Controller-Processor Agreements Review.</p> <p>This project reviewed the controller-processor agreements that the GSC had with its information sharing partners to ensure that personal data was still being controlled in accordance with the GDPR. The project has been completed.</p>
<p>Upgrade to IRMP (information and management of records policy) standard.</p> <p>This project upgraded the existing programme for information and records management to align it with the Government's information and records management policy. This project implemented the infrastructure necessary for public records compliance. This project is temporarily paused to afford higher priority projects access to (finite) GSC resource.</p>
<p>Safer gambling initiative.</p> <p>This project was to commit the GSC to the Isle of Man's multi-agency approach to problem gambling, which is designed to create an evidence base that can be used to understand problem gambling patterns and create regulatory, procedural and clinical interventions. The project remains on the plan for the 2021/22 year.</p>
<p>AML/CFT guidance.</p> <p>This project updated the guidance issued to licensees for anti-money laundering and countering the financing of terrorism. The guidance was created and published.</p>
<p>Regulatory assistance placeholders.</p> <p>This project created the option for another government agency to borrow the GSC's expertise in anti-money laundering (in order to supply a trained assessor to MONEYVAL) or in setting up and operating a regulatory framework. The GSC contributed a staff member (trained as an FATF assessor) to the FATF mutual evaluation exercise for Bulgaria.</p> <p>Separately, the GSC built a parallel licensing system for medicinal cannabis. The GSC was requested to pick up this work because it brought forward the date by which a supervisory agency could operate, and because the staffing and infrastructure costs would not need to be duplicated with a new supervisory agency. This was a large project that consumed significant GSC resource.</p>

This Year's Project Plan 2021/22

Open and Planned Projects for the 2021/22 Year
Cannabis Licensing – GDPR This project refines the GDPR approach for medicinal cannabis licensing and includes a records management element.
Cannabis Licensing – pilot programme The GSC has begun licensing medicinal cannabis applications for the first time. It is inevitable that the process will require review as it contacts with live applications. Some of the business' time has been reserved for this ongoing process of refinement.
Safer Gambling Initiative The GSC remains committed to a multi-agency approach to generating additional intelligent regulatory solutions for problem gambling. Movement in this initiative comes too late for the reporting year, and significant barriers remain before the approach can be validated.
AML/CFT commitments to Bulgaria MER One member of the GSC's staff is MONEYVAL-assessor trained. She is currently part of a multinational team compiling a mutual evaluation report regarding Bulgaria's compliance with the FATF's Recommendations to combat money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction.
Accommodation The GSC's licence-base continues to grow, creating pressure upon the processing of applications as well as the supervision of successful applicants. To meet this demand, the GSC continues to recruit. The accommodation that the GSC currently occupies will have reached its maximum capacity and the GSC is evaluating options to move to larger premises or expand into neighbouring space.
Clarification of the law on multiple-line controlled machines The GSC intends to clarify the legislative status of gambling machines in the Isle of Man that offer the ability to stake multiple lines and win prizes in excess of £100. This has been a legal grey area for some time, but a complaint from a licensee has prompted the GSC to obtain a definitive ruling from its legal experts. This has resulted in a resolution to amend the law so that the situation is unambiguous. A consultation will be conducted to assess the impact on stakeholders.
Continued upgrades for the GSC's IT system The GSC's IT system, ATLAS, continues to receive upgrades. The upgrade planned for this reporting year replaces a manual data collection function for licensee returns with an automatic one, freeing up staff time from data input to permit more time for analysis.

Appendix 4

4A - 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 Licences) (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
- Online Gambling (Software Supplier Licensing) Regulations 2019

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 Code

The Gambling (Anti-Money Laundering and Countering the Financing of Terrorism) Code 2019 imposes requirements on online gambling businesses, bookmakers and the casino in line with the Financial Action Task Force's 40 Recommendations as applicable to DNFBPs (Designated Non-Financial Businesses and Professions).

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) Civil Penalties 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.

4B – Medicinal Cannabis Legislation

The worldwide control of narcotics is a United Nations function. Recognising the evils of addiction while at the same time recognising the benefits of narcotics in medicine, the United Nations Single Convention on Narcotics from 1961 invites all countries to become signatories and adopt the convention's requirements for drug control into their statute.

The law that controls drug production in the Isle of Man uses UK law as its basis. This type of law is called 'applied' law. Typically, applied law states that the law of the UK or Europe applies, subject to modifications that apply Isle of Man terms and minor changes.

Transfer of Functions (Cannabis) Order 2020

The Department for Health and Social Care has the legislative power to control drugs (for example, heroin substitutes, anaesthetics used in surgery, etc.).

From all of the drugs that are controlled, cannabis is removed from the DHSC's ambit. The GSC acquires the Department's powers in respect of cannabis only.

Misuse of Drugs Act 1976

This act requires drugs to be controlled so that they cannot be misused. Misuse means used in any way other than as a medicine or in research. This law permits the licensing of drug import/export, production, supply and possession. The law is inspired by the requirements of the United Nations' Single Convention on Narcotics.

The Misuse of Drugs Regulations 2001 (SI 2001/3998)

These are the UK regulations that specify the details for the control of drugs. Built around a series of technical schedules that list the chemicals that are to be considered controlled drugs and/or medicines, they are not restricted to cannabis, but do include it as a scheduled substance.

The Misuse of Drugs (Miscellaneous Enactments) (Application) Order 2013

These complicated regulations apply the UK Misuse of Drugs Regulations 2001 as if they were Isle of Man law. For the most part, the agencies to which the regulations apply in the UK are changed to their Isle of Man equivalents. These regulations were also modified by the Transfer of Functions Order 2020 to recognise the GSC as a competent authority.

The Misuse of Drugs (Cannabis) Regulations 2020

These regulations, made with the consent of the Isle of Man's Advisory Council on the Misuse of Drugs, are the first regulations made by the GSC under the powers conferred by the Transfer of Functions Order. They state that no offence with respect to cannabis is committed if a licence issued by the GSC is obtained. The fees for the various horticultural/industrial processes used in the sector are set out.

Appendix 5 – Risks for 2021/22 and Beyond

The GSC monitors its risks each year, and targets the highest ranking risks for treatment, with a view to containing the risk at an acceptable level with ongoing monitoring, or with projects designed to reduce the risk for future years.

The risk table for the 2021/22 year remains similar to that of the previous year, although the order has changed to reflect the treatment of some risks, and there is a new risk to reflect the inevitable consequences of the pandemic, which we can only hope will not recur in the post-vaccine regime.

Risks targeted for monitoring or treatment by the GSC for the current year (2020/21)	
Risk ranking	Risk details
1	<p>There is always a risk that serious harms to members of the public will arise as a result of gambling, which is one of the key reasons why regulation exists. We know this risk is active because there have been recent examples of these harms occurring in other jurisdictions, for example in the UK.</p> <p>The GSC treats this risk with regulatory measures that require licensees to identify problem gamblers and exclude them from their services. This is a difficult task for a number of reasons, not least the nature of addiction itself. For this reason, the GSC believes that additional research is required that will allow licensees to more easily identify at-risk gamblers.</p> <p>Risk treatment: An e-Gaming Strategic Board (EGSAB) project has been commissioned to unify the stakeholders, and thereby the approach to the issue, which seeks to use hard evidence and academic input.</p>
2	<p>There is a risk that the GSC has insufficient staff to operate a balanced licensing regime. When the GSC is faced with competing demands for processing new licence applications (good for the economy) or supervising existing licensee (protects our reputation for thoroughness) then the assignment of limited resource always carries an opportunity cost.</p> <p>This risk is currently active because the GSC does not have enough staff to keep abreast of unprecedented demand for licensing.</p> <p>Treatment: The GSC is recruiting additional resource and sourcing expanded accommodation. Accommodation is the limiting factor for continued expansion.</p>
3	<p>During the pandemic, the GSC accumulated a supervision backlog. The quantity and quality of supervision suffered as a result of enforced home working for periods of heightened pandemic risk to health.</p> <p>Treatment: A dedicated supervisory team has been assigned to recover the supervisory position. In addition extra staff are being recruited in order that any future lockdowns will result in an estate that has been more comprehensively inspected prior to any given lockdown.</p>
4	<p>There is always a risk that the GSC will fail to exclude criminal elements from licensing and a licensee becomes owned, captured or influenced by criminals. While entry controls at the application stage can trap the less sophisticated attempts, in practice, the only way to identify potential</p>

	<p>nefarious activity is by observing the activities and monetary transactions of licensees, and by challenging behaviour that deviates from stated aims or becomes economically irrational.</p> <p>We know this risk is active because licensing in another gambling jurisdiction has been penetrated by organised crime operating out of Southern Italy.</p> <p>Treatment: For this year, we continue to screen for bad actors' attempted entry into the sector and we continue to monitor licensees for anomalous behaviour, particularly economically irrational decisions.</p> <p>In the longer term, we have identified a project that will have our entry controls assessed by a third party expert, in order to identify and seal any gaps. Inevitably, resource issues have delayed the implementation of this project.</p>
5	<p>In the past, the GSC has witnessed a steady loss of trained staff to the Isle of Man's private sector. Successful gambling companies are generally able to offer better overall reward packages to their staff and the GSC's requirement that all licensees comply with regulations generates a steady demand for expertise that is ideally addressed by ex-GSC inspectors.</p> <p>The overhead in recruiting new staff and training them is significant, and the GSC is not yet sufficiently large to justify a dedicated recruitment and training bureau.</p> <p>Treatment: None. The GSC is obliged to react to this risk every time it occurs, irrespective of the inefficiencies involved. However, with a larger staff, the departure of a single member of staff has less of an impact on the GSC's capacity.</p>

