



THE ONLINE GAMBLING REGULATION ACT 2001
THE ONLINE GAMBLING (SYSTEMS VERIFICATION) (No. 2)
REGULATIONS 2007

Laid before Tynwald 16th October 2007

Coming into operation 31st August 2007

In exercise of the powers conferred on the Department of Home Affairs by section 21 of the Online Gambling Regulation Act 2001¹, and of all other enabling powers, the following Regulations are hereby made: -

1. Citation, Commencement and Interpretation

(1) These Regulations may be cited as the Online Gambling (Systems Verification) (No. 2) Regulations 2007 and shall come into operation on 31 August 2007.

(2) In these Regulations:-

“Act” means the Online Gambling Regulation Act 2001, as amended;

“Bet” means the same as defined in the Act;

“Betting” means the placing or making of a Bet, whether by an individual or in the course of business and whether on behalf of a third party or otherwise, for winnings in money or money’s worth, whether or not the party placing or making the Bet is at the risk of losing any money or money’s worth;

“Betting Operation” means any business or part thereof involved in the negotiating or receiving of a Bet, or that maintains or permits to be maintained in the Isle of Man any computer or other device on or by means of which a Bet is received and that requires to be licensed under the Act;

¹ 2001 c.10

“Business Participant” means a party participating, in the course of business, in Online Gambling with the Operator;

“Commissioners” means the same as defined in the Act;

“Game” means the same as defined in the Act;

“Gaming” means the same as defined in the Act;

“Lottery” means any lottery in which any party acquires or may acquire a chance by means of a Telecommunication;

“Online Gambling” means the same as defined in the Act;

“Operator” in relation to any Online Gambling, means the party by whom it is conducted and who is licensed under the Act;

“Participant” means a Player and/or a Business Participant;

“Player” means in relation to any Online Gambling any party participating in Online Gambling, other than the Operator or an employee or director of an Operator but excluding a Business Participant;

“System” means a computer or system or systems of computers by means of which Online Gambling is conducted, (including but not limited to equipment for disseminating or distributing a result, or part of a result or determining a winner) or a computer or system or systems of computers used in connection with Online Gambling as well as:

- (a) all its associated components; and
- (b) its operating systems and application software;

“Telecommunication” means the same as defined in the Act;

2. Certification of System for Gaming and Lotteries

(1) Subject to the terms of these Regulations, the Operator shall, before any Gaming or a Lottery is conducted by a Participant by means of any System, produce to the Commissioners a certificate in writing issued by a party approved for the purpose by the Commissioners (or previously approved by the Department of Home Affairs) that the System by means of which such Gaming or Lottery is conducted complies with the standards specified in Schedule 1.

(2) The obligation under Regulation 2(1) arises:

(a) prior to the Operator permitting the System to be accessed by any Participant; and,

(b) on or before the expiry of the periods specified in the Operator's licence under the Act.

(3) Regulation 2(1) will not apply insofar as the Operator intending to use the System produces to the Commissioners a certificate in writing issued by a party approved for the purpose by the Commissioners (or previously by the Department of Home Affairs) prior to the System being accessed by a Participant that the System is not different in any material, technical or operational respect to a System already certified as being fully compliant with Schedule 1 for and on behalf of another Operator under Regulation 2(1).

3. Alteration of System

(1) The System by means of which Gaming or a Lottery is conducted may not, without the prior approval of the Commissioners, be altered in any way which is likely to affect its compliance with the requirements of Schedule 1, subject to Regulation 3(2).

(2) Regulation 3(1) will not apply to each new game or lottery launched by the Operator provided that nothing in this Regulation will obviate the requirement that the System continues to comply fully with the terms of Schedule 1.

4. Betting

(1) Any Operator in relation to its Betting Operations or any part of its business that is a Betting Operation shall comply with the terms of Schedule 2.

5. Decision of the Commissioners

(1) In the event that the Commissioners decide that it is not a System or part thereof that determines whether or not a Participant wins in any Gaming or Lottery, as the case may be, the Commissioners shall be entitled to determine that the terms of paragraph 3 to paragraph 7 (inclusive) of Schedule 1, shall not apply to such a System or to part of such a System.

(2) In the event that there is any ambiguity under Regulation 5(1) above or there is any ambiguity as to whether or not an Operator is a Betting Operation or that any part of its business is a Betting Operation, rather than conducting Gaming or a Lottery, the determination regarding the relevant matter shall be made by the Commissioners.

(3) The Commissioners shall be entitled to make a finding that an Operator is conducting a combination of activities defined as Online Gambling under section 1 of the Act.

(4) The decision of the Commissioners under this Regulation 5 shall be subject to the appeals provisions detailed in the Act.

6. Penalties

(1) If any provision of this Regulation is contravened, each of the following:-

- (a) the Operator; and,
- (b) the person who is the designated official in relation to the Operator's licence,

is guilty of an offence and liable on summary conviction to a fine not exceeding £5,000.

7. Revocation

(1) The Online Gambling (Systems Verification) Regulations 2007 are revoked².

² SD 270/07

SCHEDULE 1

REQUIREMENTS WITH WHICH SYSTEMS MUST COMPLY FOR GAMING AND LOTTERIES

General

- (1) The System must:
 - (a) follow the rules for Online Gambling published to the Participant or potential Participant prior to its placing any sums with the Operator for participation in Online Gambling; and,
 - (b) provide over specified periods no more than the house advantage (if any) agreed by the Commissioners with the Operator; and
 - (c) integrate contingencies for loss of continuity of play; and
 - (d) if utilised in any peer to peer game, ensure that over the specified periods that no one Player has any advantage over any other Player playing the same game.
- (2) Both the Online Gambling and financial transactions software must be congruent and secure.

Randomness

- (3) The System must satisfy the following criteria for randomness for any Gaming or Lottery (save where different rules apply and have been approved by the Commissioners and published to the Participant or potential Participant prior to its participation), following Schneier:-
 - (a) the data must be randomly generated, passing appropriate statistical non static output results tests of randomness (e.g., Marsaglia's "Diehard" set of tests) uniformly distributed over the set range;
 - (b) the data must be unpredictable, i.e. it must not be computationally feasible to predict what the next number will be, given complete knowledge of the algorithm or hardware generating the sequence, and all previously generated numbers; and
 - (c) the series cannot reliably be reproduced, i.e. if the sequence generator is activated again with the same input (as exactly as humanly possible) it will produce two completely unrelated random sequences.
- (4) The Operator must disclose the methodology of any random seeding and any

seeding must be proven to result in an unpredictable output.

- (5) The outcome of any Game or Lottery, as the case may be, and the return to the Participant, must be independent of the CPU, memory, disk or other components used in the computer or other device used by the Participant.
- (6) The Game or Lottery outcome, as the case may be, must not be affected by the effective bandwidth, link utilisation, bit error rate or other characteristic of the communications channel between the System and the computer or other device used by the Participant.
- (7) The System must be able to display for each Game or Lottery, as the case may be, the following information on the current page or on a page directly accessible from the current page via a hyperlink :-
 - (a) the name and rules of the Game and/or Lottery;
 - (b) restrictions on play;
 - (c) instructions on how to play, including a pay-table for all prizes and special features;
 - (d) the Participant's current account balance and currency or currencies utilised by the Participant to participate in the Game and/or Lottery;
 - (e) unit and total sums permitted to be played by a Participant in relation to the Online Gambling;
 - (f) the return to the Participant, disregarding any exercise of skill by him; and,
 - (g) pursuant to the testing of the System, the percentage of total sums returned to Participant in relation to all house Games or Lottery, as the case may be, offered by the Operator.

Reporting requirements

- (8) All financial reports produced by the System must be readily reconcilable with Gaming or Lottery transaction reports (as relevant) and conversely. All such reports shall be freely available to the Commissioners.
- (9) The System must:-
 - (a) be capable of producing auditable and aggregated financial statements of Gaming and/or Lottery transactions (as relevant); and
 - (b) calculate accurately all excise of duty payable under the Act and other monies

due to the Treasury under the Act.

(10) The System must maintain information about all Games and/or Lotteries played, including:-

- (a) the identity of the Participant;
- (b) the time the Game began;
- (c) the balance on the Participant's account at the start of the Game or the start of the Participant's participation in the Lottery (as relevant);
- (d) the sums placed by Participant placed in the Game (timestamped);
- (e) the Game status (in progress, complete, etc.);
- (f) the result of the Game and/or Lottery (timestamped);
- (g) the time the Game ended;
- (h) amount won or lost by the Participant;
- (i) the balance on the Participant's account at the end of the Game and/or Lottery (as relevant); and
- (j) the currency or currencies utilised by the Participant.

(11) The System must maintain information about significant events as follows:-

- (a) large wins (as agreed by the Commissioners from time to time);
- (b) transfers of funds (between Participants or between any Participant and the Operator) in excess of such amount as the Commissioners may from time to time direct by notice in writing to the Operator;
- (c) material changes made by the Operator to Game and/or Lottery returns, disclosed under paragraph 7 above; and
- (d) material fluctuations in theoretical/estimated statistical return to Participants (agreed with the Commissioners from time to time).

SCHEDULE 2

BETTING

- (1) Any software utilised must be capable of providing for congruent and secure betting and financial transactions.
- (2) The System must be able to display the following information on the current page or on a page directly accessible from the current page via a hyperlink:-
 - (a) the rules regarding the placing of Bets, including circumstances in which the Operator will void a Bet; the treatment of errors, the treatment of late Bets and the treatment of withdrawals and non-runners;
 - (b) restrictions on the placing of any Bets;
 - (c) the Participant's current account balance and the currency or currencies utilised to place Bets; and
 - (d) the means by which a winning Bet will be determined.
- (3) All financial reports produced by the System must be readily reconcilable with Betting transactions reports, and conversely. All such reports shall be freely available to the Commissioners.
- (4) The System must be capable of providing auditable and aggregated financial statements: -
 - (a) of Betting transactions; and
 - (b) sufficient to calculate accurately any and all duty of excise payable under the Act and other monies due to Treasury under the Act.
- (5) The System must maintain information about all Bets received from Participants, including:-
 - (a) the identity of the Participant;
 - (b) the time that the Bet was taken;
 - (c) the balance in the Participant's account at the start of any Betting transaction;
 - (d) the Bets made by any Participant;
 - (e) amounts won or lost by the Participant;

- (f) the currency or currencies used by the Participant;
 - (g) large wins (as agreed by the Commissioners from time to time); and
 - (h) transfers of funds (between Participants or between any Participant and the Operator) in excess of such amount as the Commissioners may from time to time direct in writing to the Operator.
- (6) The Operator shall provide Participants with full and sufficient information regarding payment of winning Bets and describe the manner of distributing and paying the winnings including arrangements where there are no winning Bets and the manner of claiming payment of winnings. The Operator shall clearly provide on its website full and sufficient details that are true, clear, intelligible and sufficient to allow any Participant to verify any payment of winnings due to it. Such information shall contain information regarding any charges made to a Participant either by the Operator or a third party on its behalf in relation to the Betting and how the Operator calculates winnings due to a winning Participant.
- (7) The Operator shall ensure that the integrity of the Betting transactions can be assured and that Participant transactions are not lost through System failures or unauthorized modification or access by a third party.
- (8) Where the currency taken for a Bet is converted into tokens, chips or credits, the conversion thereof shall be clearly stated to the Participant on the Operator's website.
- (9) The Operator shall, in addition to the foregoing, clearly provide on its website such information regarding the Betting that the Commissioners shall reasonably require in relation to the Operator's Betting Operation.

MADE 30th August 2007

G. Mastyn Denayle MHA

Minister for Home Affairs

EXPLANATORY NOTE

(This note is not part of the Regulations.)

These Regulations are made under the Online Gambling Regulation Act 2001 and provide for the System verification rules and System specifications with which an Operator must comply and the penalties for non compliance.