

Isle of Man Gambling Supervision Commission



Annual Report
2019/2020
GD2020/0055

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1. Chairman's Statement

I am delighted to write this foreword as the Commission's new chairman, and my first duty is to thank the outgoing chairman, Ron Spencer, whose sure hand on the tiller was appreciated by all. I would now like to take a few moments to reflect on the GSC as I inherit the chairman's role.

Over the last ten years, the sector has consistently grown and is now an incredibly important part of the overall Manx economy. It has not always been an easy journey as it is a vibrant and ever changing industry. We have become adept at measuring risk and solving problems as new ventures have opened up new branches of our sector. We have, for instance, worked through to a good understanding of blockchain opportunities and now have eight licensees under supervision. We also see the growth in esports and know that it will not be long before some form of oversight or supervision is called for by society.

Our approach is collegiate when others have asked for help; we have made a huge difference to a number of countries, whose regulators were new to the role and who were grateful to be able to call upon an experienced and helpful jurisdiction as they developed their own regime. The fact that the GSC was not always the first to be asked but was always the first to say yes makes me proud to be part of the organisation. When I ask for feedback from businesses that support our gambling licensees in the Isle of Man, I am told that we are trusted, consistent and approachable.

The gambling sector did not close down for the pandemic and the corporate service providers still filed applications for online gambling licences. Not only did the GSC remain functional, but I am astonished that it operated beyond its capacity and processed more applications in a quarter than at any other time in its history, all with no deterioration in the quality of checks performed or the standards required of owners and controllers.

Challenges are a constant for the GSC. The best chances we have to meet these challenges lie in our people, our vigilance and our knowledge. There are now six of us on the board, each of us with differing backgrounds and experience. I am pleased to welcome two new members: Greg Petts and David Butterworth. Greg brings an experienced auditor's acumen to the table from within the gaming sector and augments our credentials in law, finance and compliance. David has spent his working life in IT and will help us understand the increasingly sophisticated application of technology in gambling.

It is right that we create the opportunity for legitimate early adopters to thrive and we are open to all business that is good business. We are pleased to advise applicants on the standards we expect but each is judged on application and monitored whilst trading to ensure our high standards are met. We have built a world class regulatory machine and it is my intention to protect it so that it continues to represent safe and fair gambling, continues to keep the sector crime-free and continues to underpin the growth of the economy.

Jon Allen
Chairman

2. Chief Executive's Statement

Regulatory supervision must be constant to be effective, and just as the lockdown did not give our online sector cause to shut down, neither did we.

The pandemic emergency forced the GSC to adapt quickly to home-working and I am pleased to report that the inspectorate did not miss a beat in the transition. IT solutions were implemented, security and confidentiality was perfectly preserved and decisions continued to be made.

We certainly learned lessons as we went, particularly in the realm of teleconferencing, but we're more streamlined for homeworking than we've ever been. I hope we never have to go into lockdown again, but if we do, we are ready for it.

It has been a successful 12 months for the Isle of Man gambling industry particularly in respect of the new software licences, where the efforts we all make to ensure that the highest standards of regulation are maintained is seen as a huge asset to these multi-national software owners. The year has not been completely plain sailing though and I am particularly proud of the way the staff managed complex issues, under tight time pressures, to successful conclusions.

Gambling and gambling regulation continues to evolve and in the UK through the recent Lords Report the political spotlight has fallen on one of the key cornerstones of our regulatory mandate - protection of the vulnerable.

I would like to use the second half of my statement to explain an important initiative in this area that the GSC will be part of in the future. It relates to problem gambling, and specifically the need for effective and intelligent interventions to be based on analysis of reliable data.

The Isle of Man as a jurisdiction is coming together to solve the issue supported by four pillars, each representing a key stakeholder's cooperation.

The first pillar is the gaming sector itself, which will make funding and data available to an independent research-commissioning body. This body will make those funds and the anonymised data available to academics who will analyse behaviours, patterns and trends.

The second pillar comprises clinicians who will evaluate the research and recommend regulatory changes or industry-codes-of-practice which specifically address concerns identified from the data.

The third pillar comes from the third sector, represented by those charities that specialise in addiction treatment. Their role will be to report on whether the interventions that this coalition implements are making a real difference to problem gambling.

We ourselves, as the regulator, form the fourth and final pillar. We will implement the regulatory changes, and police the codes of practice.

All the contributors to this initiative want to see problem gambling removed from the industry and the issues arising removed from society. Unlike other social issues such as alcohol or substance abuse, we do have digital evidence tracking patterns of behaviour and analysis should be able to give us early warning indicators of potential problems. By working together with a common purpose we look forward to the Isle of Man taking a lead in addressing this global problem.

Steve Brennan
Chief Executive

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; and
- 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 2019/2020



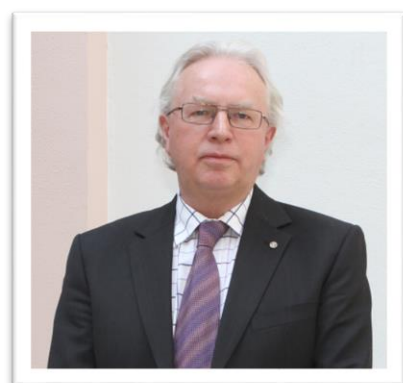
Ron Spencer - Chairperson



David Reynolds - Commissioner



Jon Allen – Deputy Chairperson



Howard Callow - Commissioner



Suzanne Collins - Commissioner

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 2019/20 year		
Position	Member	Expertise
Chair	Ron Spencer	Governance
Deputy chair	Jon Allen	Technology & Commerce
Member	Suzanne Collins	AML/CFT & Compliance
Member	Howard Callow	Financial
Member	David Reynolds	Legal

During the year, Ron Spencer completed his last eligible term as chair. He was replaced by Jon Allen in the role. An additional commission member role was added to the board and two new members were recruited : David Butterworth, who brings expertise in IT systems and Greg Petts, an auditor with experience in the gambling sector.

Staff changes

During the 2019/2020 year, the GSC lost one inspector to the Isle of Man gambling sector. One member of staff received a promotion. The GSC acquired an additional head count of one with the creation of a technical specialist post to assist with project and policy work.

At the time of writing, one additional member of staff, the GSC's most experienced inspector, had departed the GSC to work for the private sector in the gambling field.

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 Chairperson or Deputy Chairperson is required. The licensing decisions of the Board for 2019/20 are shown below:

Licensing decisions for the 2019/20 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	0	0
Online gambling operators	16	10

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

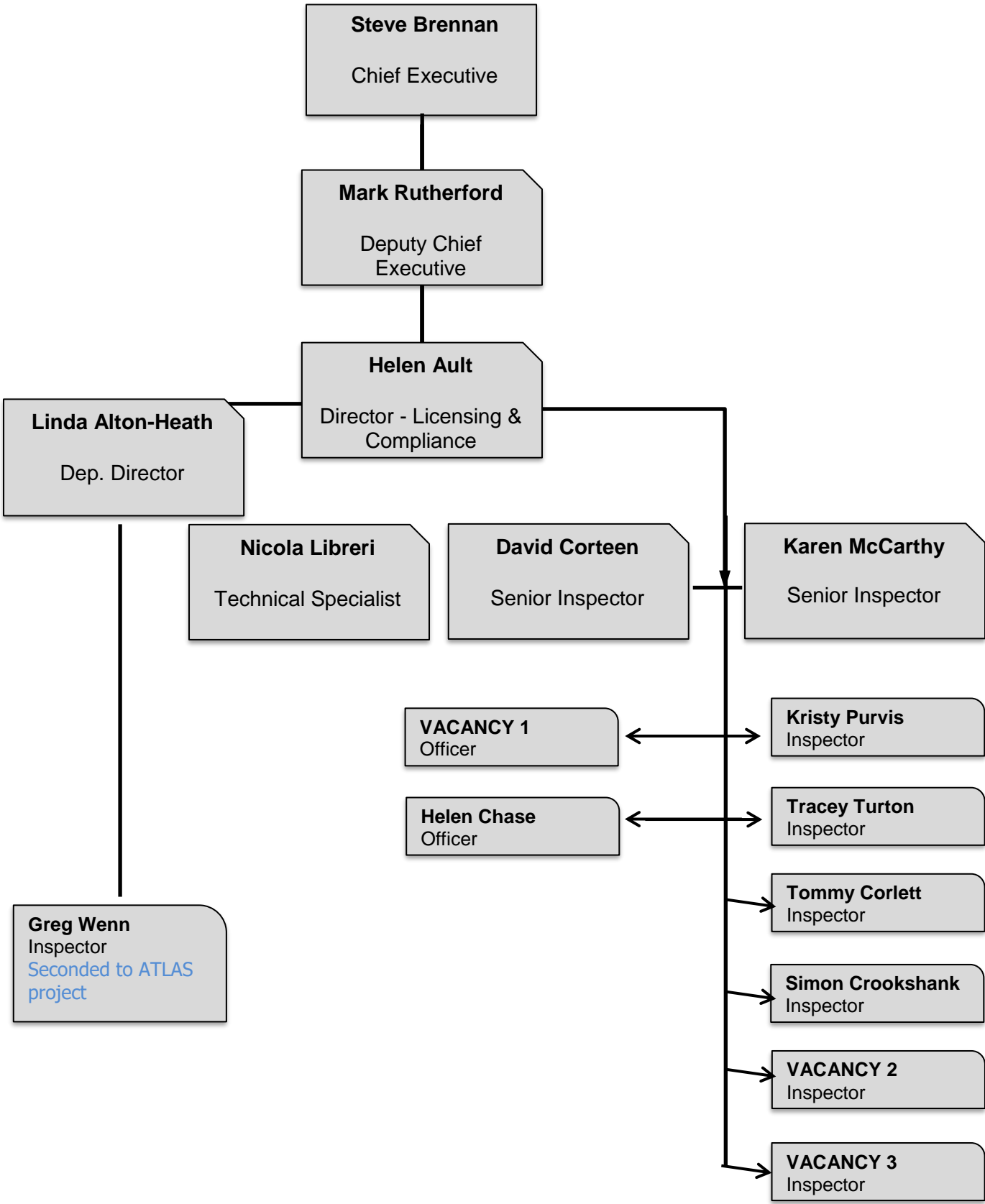
The Commission is subject to scrutiny in the following areas:

- 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.

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.

5. Organisational Chart



As at 01.08.2020

6. A Year in Review

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

The International Association of Gaming Regulators is a global community of regulators and the conference is moved each year to a different continent. This year, the plenum was held in Jamaica and was hosted by the Jamaican Betting, Gaming and Lotteries Commission. The conference programme focused on safer gambling (and in particular the promise offered by emerging methods of processing big data, the use of technology in gambling and the future for gambling advertising.

The effect of the pandemic

The GSC remained active during the pandemic, relocating its staff to the home working environment, continuing to supervise and process applications for licenses. The period of the pandemic was characterised by an unusual number of online gambling applications being made.

The quarantine also saw the rise of home-grown gambling websites, which are not lawful in the Isle of Man. The GSC recognises that gambling legislation is complex and may not be widely understood by the public, so the GSC's approach is to educate first and only enforce as a last resort. In all cases, the people organising these sites had simply failed to appreciate that gambling law affected them. All activity was discontinued once the GSC had explained the legislation.

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 saw the introduction of price controls for products in the licensed betting offices sectors for fixed odds betting terminals. A £2 cap on stake was imposed to align the parameters of these machines with those in the UK.

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.

The GSC continues to work closely with the Tennis Integrity Unit, FIFA, the Esports Integrity Council and the PGA European Tour Golf Integrity Unit– each working within its own sport to ensure that it takes responsibility for the prevention, investigation and prosecution of all match fixing and betting-related corruption. In addition, the GSC holds a Memorandum of

Understanding (“MoU”) with the Norwegian Gaming Authority. In August 2019, the GSC signed a further MoU with the Badminton World Federation.

The work of regulation can often seem thankless because the world only sees when it fails, not when it succeeds. However, the GSC has a rare opportunity to demonstrate that its participation in this area has yielded significant improvement.

When the Tennis Integrity Unit first started its work, enquiries about suspicious betting patterns were frequently submitted. Thanks to the persistence of the Tennis Integrity Unit and its work in educating athletes, as well as its reliance on GSC cooperation, tennis integrity enquiries are rare.

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.

If tennis is approaching the latter part of this cycle, so there is evidence that another sector – esports – is beginning its journey to maturity. Just as tennis once produced frequent requests for assistance, so now the GSC and its licensees are servicing a large number of requests with respect to video-gaming tournaments. The problem is no longer hidden; it will be the sector’s determination to push out match-fixing and suspicious betting that resolves the issues and the GSC is glad to be part of that effort.

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. Virtual currencies include the well-known bitcoin as well as a plethora of other currencies, known as alt-coins. Virtual goods 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.

Eight licensees now operate using block chain technology or make cryptocurrency available as a payment channel. The GSC’s bespoke risk framework applies to all block chain users and was strengthened this year to highlight the importance of detecting and preventing account hi-jacking, in which a criminal accesses the account of a player through a stolen password and empties the money to a payment instrument they control.

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 Department for Enterprise has recently created a role to examine whether the Isle of Man has an opportunity to harness its expertise in regulation and apply it to this new sector in order to make it safer for participants. Inevitably, any sector that begins to experience large financial transactions is targeted by criminality and ultimately falls under the scrutiny of the Financial Action Task Force. There is an opportunity within early regulation to prepare for that day.

Brexit

The UK has left the European Union and is in a period of transition. This 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

The GSC's AML/CFT credentials include participation in the national risk assessment, mutual evaluation by MONEYVAL and a sustained programme of AML/CFT supervision discharged by staff who study and acquire internationally recognised AML/CFT qualifications.

The GSC's Director of Licensing and Compliance successfully completed training to become a MONEYVAL evaluator in April 2018. The GSC supported her in providing consultancy services to another country to assist with its FATF obligations. Further requests to participate in such projects and MONEYVAL evaluations were refused due to workload as a result of increased licence applications and the impact of COVID.

Four Inspectorate team members achieved their ICA Certificate in Money Laundering Risk in Betting and Gaming. This makes a total of seven staff members holding an ICA certificate and two holding an ICA Diploma in AML.

MONEYVAL

The GSC's work on the AML Code last year encapsulated the last remaining requirements outlined by the MONEYVAL assessment. The new Code came into effect in June 2019.

Although follow-up reports to date have been largely favourable, the Island remains in 'enhanced follow up' and 'compliance enhancing procedures' with MONEYVAL and the FATF. Given the uncertainty around COVID-19 and its impact on the ability of these organisations to hold plenary meetings, it remains uncertain when the Island may be removed from these procedures.

The GSC's current AML/CFT priorities are to issue revised guidance on the Code and to supervise the sector to ensure compliance, or 'effectiveness' in MONEYVAL terms, with the new Code.

Acquisition of an IT Solution

The GSC is engaged with software developers to create a regulatory system that will enable it to make the most efficient use of its resources. In order to ensure that any such system has the best opportunity to deliver value for money the GSC has partnered with the FSA to commission a co-sponsored system build. This programme is called "Atlas".

Phase 1 (back office) of the Atlas project was delivered and went live in Q4 2019, with a large amount of Operator information migrated onto the new system. The back office is now in everyday use and has improved efficiency. Further phases of the project are now underway.

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 those licensees that miss the contribution date.

Operator contributions to support education, research and treatment of problem gambling for the 2019/20 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
£138,692.32	£143,791.20	£282,483.52
Non-financial contributions	One company founded an IOM based industry focus group, called the Safer Gambling Coalition.	

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

Following the October 2019 Commission hearing, the GSC determined not to grant a renewed licence to an online gambling operator. This outcome was the culmination of many months of supervisory activities that included on-site visits, remediation plans and cooperation with our off-Island regulatory counterparts.

An appeal against the decision not to renew the licence was made to the Gambling Appeals Tribunal however the appeal was withdrawn prior to any Tribunal hearing.

Money-Laundering Reporting Officer Forum

Established in 2016 the MLRO Forum provides a mechanism for the GSC to provide updates regarding legislation, trends, typologies and to offer subject matter experts an opportunity to address the forum as guest speakers. It also provides a single group for operators to communicate with the GSC and the opportunity for networking.

The ambit of the forum was reviewed during November 2019 and it was agreed to expand it to include AML/CFT Compliance Officers, which all operators are required to appoint under the new Code. A further meeting was arranged for April 2020 however this was cancelled due to COVID-19 disruption.

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.

The year has been relatively quiet, but the GSC has shared its experience of regulating crypto- and blockchain based business with its regulatory counterparts in the UK. It also engaged with the authorities in the UK that control advertising standards.

The GSC received a request to supply expertise to anti-money laundering efforts in Europe, which it was unable to satisfy because of a key-man dependency at the senior level.

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 Financial Intelligence Unit (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 has 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 has been popular with the online gambling sector and software suppliers now account for a quarter of the GSC's licensees.

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

During the period 3 meetings were held (June 2019, November 2019, March 2020). Matters discussed included the update to the National Risk Assessment, MONEYVAL follow-up reports, industry news and typologies plus new AML/CFT legislation.

A further meeting was scheduled for June however this was cancelled due to COVID-19 disruption. A remote meeting has yet to be arranged.

The legislative outlook

The GSC administers a number of Acts of legislation, the earliest of which dates from 1984. There are efficiencies to be driven from unifying all of the GSC's legislation and reform of the older law would create a level playing field between online and terrestrial operators. However the decision to consolidate, if not done with great care, could create unwelcome business uncertainty within a stable and important sector of the Isle of Man's economy and the internal resource requirements for such an exercise would be high.

No work on this project was conducted during the year.

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 2019/20 year	
Information requested	GSC's response
None	n/a

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 2019/20 year	
Date	Consultation
n/a	None opened this year

Whistle-blowing

The GSC has a duty to protect its staff when they make disclosures as so-called whistle-blowers.

Instances of whistle-blowing for the 2019/20 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.

This year, we have implemented the policies and procedures necessary to implement the General Data Protection Requirement (GDPR). An extensive requirement that supersedes previous data protection legislation, the GDPR requires a far more organic integration of information control and risk assessment. Whenever a breach of data protection occurs, we must consider whether it is serious enough to self-report to the Information Commissioner. Whenever new systems or procedures will likely handle personal data, the GDPR requires us to conduct data protection impact assessments.

Data protection breaches for the 2019/20 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 organisation has in its records. These are known as data subject access requests (DSARs).

Data subject access requests for the 2019/20 year	
Number of DSARs made	2
Of which, appealed to the ICO	1
Of which, upheld by the ICO	0

This year, the GSC received and processed two data subject access requests, both being received from the same data subject.

The first access request was received in March and was referred to the office of the Information Commissioner (ICO) for appeal. The ICO found that the GSC had complied and responded in accordance with Article 12(3).

Both requests were processed within the prescribed one-month 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 GDPR-related appeals.

General complaints against the GSC for the 2019/20 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	0	0
General complaint outcomes for the 2019/20 year		
Complaints resolved in favour of GSC	0	
Complaints resolved in favour of the appellant	0	

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 2019/20 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	1	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	1	

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 19/20 year	
Number of instances recorded	Disposal of reports
0	n/a

Licensed Online Operators in the Period

Licensed operators during the 2019/20 year	
Licensee	Licence type
Ableton Prestige Global Limited	Full
Aceking IOM Limited	Full
Alliance Gaming Solutions Limited	Network Services
Annatar Limited	Full
Annexio Limited	Full
Babylon Gaming Limited	Software Supply
Bootstrap Technologies Limited	Software Supply
Celton Manx Limited	Network Services
Crombec Limited	Software Supply
Cube Limited	Full
Dalmine Limited	Sub-Licence
Deriv (MX) Ltd	Full
Empire (IOM) Limited	Full
Eurorace Limited	Full
Fair Games IOM Limited	Full
Fair Sports Limited	Software Supply
FC Network Limited	Software Supply
Fesuge Limited	Sub-Licence
Funfair Holdings (IOM) Limited	Token Based Software Supply
Galaxy Bet (IOM) Limited	Full
Golden Bridge Drive (IOM) Limited	Software Supply
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
Mahjong Logic Limited	Network Services
Mayfly Entertainment Limited	Full
Mersey Sports Limited	Full
Mustard Sports Limited	Full
New Tyche Tech Limited	Full
Omega Interactive 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
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
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
Xela 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 2019/20.

AML/CFT Supervision

Terrestrial Visits including AML/CFT:

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

- 2 casino visits in 2019/20 with AML/CFT included.
- 2 bookmaker visits in 2019/20 with AML/CFT included.

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 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;
- 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 standalone AML/CFT health check focussing on a specific AML/CFT matter as part of a follow up action due to previous failings or raised 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;
- 10) Compliance culture

Any single breach of the Code would 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 73% of the visits conducted in 2019/20 found no deficiencies, this is a slight decrease from last year but an overall improvement on previous years.

Three year rolling statistics, sector AML/CFT compliance for the 2019/20 year			
	2017/18	2018/19	2019/20
Number of AML/CFT visits	25	19	22
Number with 100% compliance	17	15	16
% zero deficiencies :	68%	79%	73%

Deficiencies were identified in 6 visits, however there were no instances of serious deficiencies. All were the subject of remediation plans and follow up visits.

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, 16 of the licensees we inspected achieved 100% compliance, which rated against the World Bank’s methodology, rates them as excellent. Overall compliance was 73% which would rate the online sector’s compliance as high.

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 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".

Complaints statistics for 2019/20					
Core principle	Number of complaints received*	Number of complaints resolved*	Where a dispute occurred, findings in favour of:		
			complainant	operator	mutually resolved
Excluding Crime	52	48	1	4	43
Protecting young & vulnerable	18	18	1	0	17
Fairness in gaming	67	66	2	2	62
Undefined (No Response after initial contact)	8	8	0	0	8

* 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.	

7. Appendix 1 – Supervision Activity 2019/20

The following table shows the visits undertaken in the period:

Licensee general compliance visits for the 2019/20 year	
Type of operator	Visits
Licensed betting offices	2
Casino	2
Online gambling companies	17

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

Licensee AML/CFT (online licensees) compliance visits for the 2019/20 year	
Full visit with report	18

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 for the 2019/20 year	
Checks completed	10

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

Licensee returns submitted to the GSC for the 2019/20 year	
Type of return	Submissions
Casino unusual incidents	12
Casino return-to-player reports	4
Online gambling quarterly reports	151
AML/CFT Returns	155

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

Description of Return types deployed for supervision for the 2019/20 year	
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>
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 o number of high risk players o numbers of internal and external disclosures o 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>

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 2019/20 year	
Accounts analysed	36

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 for the 2019/20 year	
RM checks conducted	34

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.

8. Appendix 2 - Income and Expenditure

Income and Expenditure breakdown for the 2019/20 year	
Income categories	
Gaming Betting & Lotteries Act fees ¹	1,595
Gaming Amendment Act fees	22,236
Online Gambling Regulation Act fees ²	1,875,000
Casino Act fees ³	50,101
Other income ⁴	0
Total Income	1,948,932
Expenditure categories	
Salaries ⁵	803,781
Commissioners' honoraria ⁶	92,710
HR costs ⁷	4,619
Premises	0
Professional fees ⁸	57,346
Travel ⁹	15,247
Operating Expenses ¹⁰	72,969
Other Expenses	0
Total Expenditure	1,046,672
Balance	902,260

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 2018/19 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 2019/20 year	
Pay range	Number of employees
<£99,999	14
£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 2019/20 year	
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 for the 2019/20 year	
Government providers	£0
External providers	£4,619

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 2019/20 year	
Accountants	£11,800
Enhanced due diligence	£30,000
Legal fees	£28
Police checks	£2,188
Other	£13,330

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.

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

GSC subsistence expense claims for the 2019/20 year	
Total claimed	£992

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 2019/20 year	
Stationery, office supplies, printing	£3,419
IT provision	£6,150
Of which, hardware	£6,070
Of which, maintenance	£80
Of which, ATLAS development	£34,771
Loan Charges* –	£20,900

*loan relates to capital expenditure for bespoke regulatory system, ATLAS

9. Appendix 3 - Annual Plan

Progress against last year's plan

Open and Planned projects for the 2019/20 year
<p>Upgrade to IRMP (information and management of records policy) standard. This project upgrades the existing programme for information and records management to align it with the Government's information and records management policy.</p> <p>An agreement with the public records office has been drawn up that covers generic records and those records that pertain to online gambling. The inclusion of additional records that pertain to terrestrial gambling will be added before the agreement is ratified.</p>
<p>Server upgrade. This project, undertaken on the GSC's behalf by its IT provider (Government Technology Services) moves the GSC's information assets to a more modern server, which has a longer support lifespan than the current server.</p> <p>This project was completed.</p>
<p>FOBT stake reduction. This project follows on from the Treasury decision to align with the UK's decision to restrict the maximum stake for FOBTs to £2.</p> <p>The legislative change was implemented..</p>
<p>Review of diligence checking process. This project looks at the current process for diligence checking of people connected with new applications and seeks to streamline the process by removing duplication and eliminating tokenistic checks. The deliverable for the project is the same standard of checking for less time and cost spent.</p> <p>This project was substantially completed. It remains for the GSC to adjust its data retention schedule.</p>
<p>Inactive operators. This project is designed to understand whether an operator that does not appear to have any meaningful gambling activity poses a risk to our reputation or not. In evaluating an operator we take into account the level of play versus forecast play, whether they conduct gambling activity elsewhere in the world and the level of that business, the motivation to continue without a seemingly profitable licence, the motivation of shareholders to prop up the operator's finances and the presence of red flags, anomalies and adverse media which cannot be reconciled with our view of the licensee.</p> <p>This project was completed. One licence was removed from the GSC's estate.</p>

This year's project plan 2020/21

Open and Planned projects for the 2020/21 year
Controller-Processor agreements review. This project reviews the controller-processor agreements that the GSC has with its information sharing partners to ensure that personal data is still being controlled in accordance with the GDPR.
Upgrade to IRMP (information and management of records policy) standard. This project upgrades the existing programme for information and records management to align it with the Government's information and records management policy. This project is a remnant of the previous year's project, and extends the public record obligation to cover all of the GSC's data.
Safer gambling initiative. This project commits 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.
AML/CFT guidance. This project updates the guidance issued to licensees for anti-money laundering and countering the financing of terrorism
Regulatory assistance placeholder. This project creates the option for another government agency to borrow the GSC's expertise in anti-money laundering (in order to supply a FATF trained assessor to MONEYVAL) or in setting up and operating a regulatory framework for a new sector.

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 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.

