

ISLE OF MAN
GAMBLING
SUPERVISION
COMMISSION



General Compliance & AML/CFT
Supervision Visit Procedures

Online Gambling Operators

Version 2.2: November 2022

**These procedures are effective from the
03 November 2022**

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1. Introduction

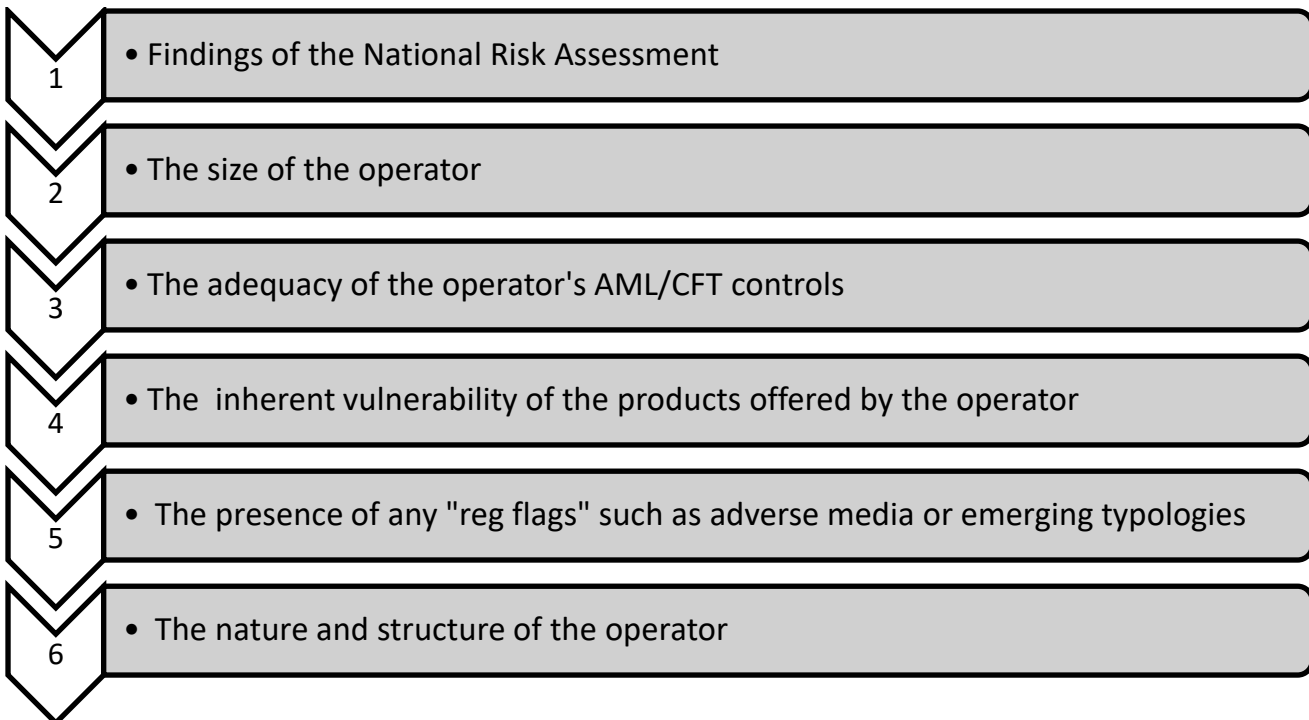
The Gambling Supervision Commission (GSC) is the regulator that supervises the gambling sectors' compliance with Isle of Man gambling and Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) legislation and regulations made under the Online Gambling Regulation Act 2001 (OGRA), associated guidance and licence conditions.

This document describes only the actions that the GSC uses during its routine supervision. As AML/CFT or compliance issues emerge or as particular findings dictate, the GSC may formulate responses that fall outside of this guidance.

2. The Risk-Based Approach

The Financial Action Task Force (FATF) Recommendations require countries to adopt a risk-based approach to combatting money laundering (ML) and terrorist financing (TF). By adopting a risk-based approach to supervision the GSC is able to effectively and efficiently allocate resources.

The GSC assesses the ML/TF risks posed by online gambling operators based on the factors below and determines the intensity, frequency and scope of supervision based on that assessment and ongoing compliance performance.

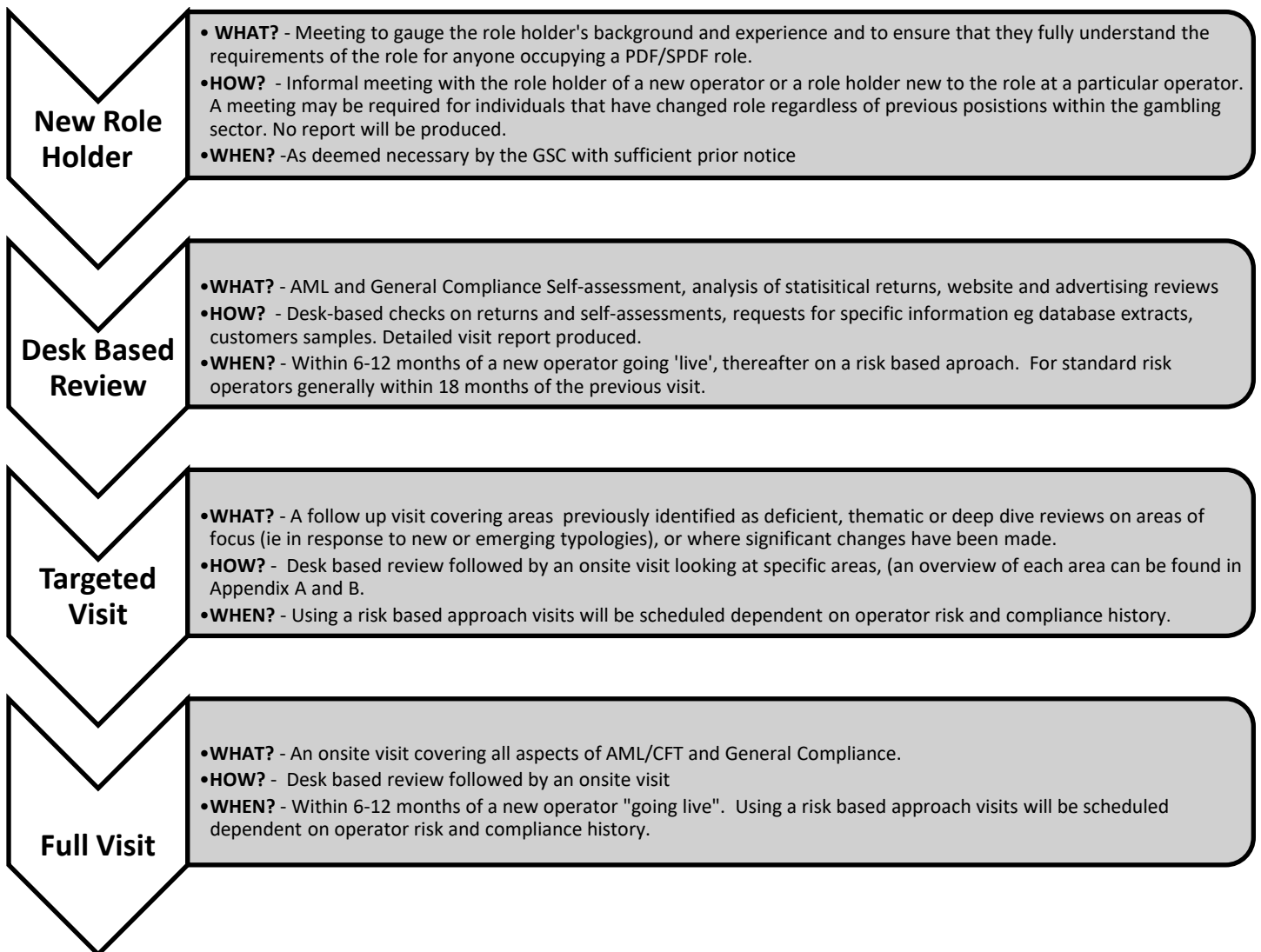


3. Oversight Methods

The GSC supervises compliance through a combination of self-assessments and on-site reviews. Desk-based reviews of self-assessments and any documents provided allow the GSC to assess an operator's policy and process. On-site activities include visits to operators' premises, customer sampling and face-to-face meetings.

On-site visits may be standalone visits or combined AML/CFT and General Compliance visits depending on the risk assessment of the operator, the time since the latest AML/CFT or General Compliance visit, the next scheduled visits, and the availability of the GSC's Officers.

Types of Supervision:



4. Visit Process

Supervisory visits (whether AML/CFT or General Compliance only or combined) will be made up of three parts:

- a self-assessment that will be subject to a desk-based review for which the GSC will request information upfront about processes and systems along with a database sample;
- an onsite visit where checks will be carried out on how those processes and systems are operated. Funded test accounts may be required and demonstrations will be sought to ensure that the systems are functioning as they should; and
- a further period in which the visit report is drafted and any queries resolved.

4.1 Pre-visit

Wherever possible, the GSC Officers will contact operators at least one month prior to arrange a mutually agreeable time to schedule an AML/CFT visit or General Compliance visit. Various documents and information will be required ahead of the on-site visit.

Supplying the requested pre-visit information on time allows the GSC to perform any desk-based elements ahead of the visit. If this information is late and the GSC is unable to complete these checks then it is possible the visit will be delayed or the MLRO will be asked to perform the extract during the visit itself.

The law expects that licensees are both willing and able to combat money laundering and terrorism and to be compliant with legislation, a licensee that is late supplying information may be asked to formally explain the underlying reasons why it cannot supply information on time. It is important that if the inability to supply arises from uncertainty over what the GSC requires, the GSC must be contacted immediately.

A list of the AML/CFT documentation and information that could be provided along with the self-assessment is provided at Appendix A. A list of General Compliance documents and information that could be provided in support of a self-assessment is provided at Appendix B. These lists are not exhaustive and operators can utilise other means to demonstrate compliance, however, in most cases the list outlines the GSC's minimum expectations for demonstration compliance in that area.

A list of the information to be included in database samples/extracts is provided at Appendix C.

IMPORTANT: Please note that additional documentation or information may be requested (particularly those operators providing bespoke rather than retail products and services).

4.2 Self-assessment

As part of the visit process operators will be issued with an AML/CFT self-assessment and General Compliance self-assessment template to complete prior to the visit. The self-assessment process can be used as a stand-alone method of supervision where operator risk is deemed very low and will not always form part of a visit. The template is split into supervisory areas, outlines what the GSC's requirement is, the source of that requirement, (legislation, guidance or licence condition), and operator self-assessment in that area. Templates for self-assessments are provided at licensing and should be completed and returned well in advance of any scheduled visits.

Information and evidence provided as part of self-assessments will be scrutinised and actions raised, with given timeframes to be completed, where any deficiencies are found. Any areas marked as partially met or not met should be accompanied by remediation plans for ensuring that area is brought into compliance. The self-assessment will also be used to inform the supervisory visit where technical process will be checked in practice. For operators who have completed a self-assessment, subsequent assessments will consist of an update to the information provided.

Some criteria is not relevant for all operators e.g. those who do not register players directly, this will be indicated here.

An outline of the requirement and its basis ie legislation, regulation, policy, licence condition.

Reference to the document and specific document section, provided to support technical compliance with the requirement. All documents to be listed

Self-assessment of how you meet the requirement. Met, Partially Met, Not Met or Not Applicable.

Explanation of how the requirement is met, partially met, not met or not applicable. Include as much information as possible as to how the area is met, if partially met or not met include remediation plans. If not applicable explain why it does not apply.

Grey area for GSC use only, no text is required in this area.

AML1

RISK-BASED APPROACH

RISK-BASED

AML1.1 Business Risk Assessment

OPERATOR TO COMPLETE

AML supervisory area

| REF | APPLIES TO | REQUIREMENT | DOCUMENT REFERENCE(S) | SELF-ASSESSMENT | COMMENTS | GSC ASSESSMENT | GSC COMMENTS | REMI |
|----------|------------|--|-----------------------|-----------------|--|----------------|------------------------|------|
| AML1.1.1 | ALL | Gambling (AML/CFT) Code 2019, Paragraph 6 (1) An operator must carry out an assessment (a "business risk assessment") that estimates the risk of ML/FT posed by the operator's business and customers. | A1, section 1.1.1 | Partially met | Met a, not met b and c. Plans going forward are to | Partially met | Met a, not met b and c | A |
| AML1.1.2 | ALL | Gambling (AML/CFT) Code 2019, Paragraph 6 (2) The business risk assessment must be— (a) undertaken as soon as reasonably practicable after the operator commences business; (b) recorded in order to be able to demonstrate its basis; and (c) Regularly reviewed (details of any review must be | | | | | | |

4.3 On-site

At least one Director and the Designated Official or Operators Manager should be present at the visit. The Money Laundering Reporting Officer (MLRO) or the Deputy MLRO and AML/CFT Officer should be present for any on-site visit that includes an AML/CFT aspect. If for any reason this is not possible, please contact the GSC at the earliest opportunity so that alternative arrangements can be made.

Funded test accounts may be requested for the visit and will be used to sample the customer journey whilst on-site. The account should not be named or set up in a way that would alert customer services that the account is a test account or being utilised by the GSC.

The GSC's Officers will require a private room or convenient area to operate. During the visit the Officers will ask questions and request demonstrations of an operator's systems.

A list of example on-site type checks can be found at Appendix D.

4.4 Post-visit

A draft visit report will be sent out shortly after the on-site visit. The report will set out:

- the topics covered;
- a brief overview of the responses provided;
- any observations;
- any areas noted as deficient and, where appropriate, actions required to address any deficiencies.

Operators will be invited to comment on the factual accuracy of the report in order for the GSC to take any comments into consideration before issuing a final report.

The report findings plus completion of any actions arising from the visit will be taken into account in the GSC's risk based approach to supervision (please see Section 2 of this document for further detail).

Appendix A: AML/CFT Self-assessment Documents

1. PROCEDURES

Where the various procedures listed below are included within an AML/CFT Manual please provide the entire manual and indicate the relevant page/section numbers in the self-assessment.

| Procedure | Full AML/CFT Visit | Thematic/Follow-Up ¹ (by AML/CFT topic) | | | | | | | | | |
|---|--------------------|--|------------------------------|---|------------------------------|--------------------|----------------|------|---------------|--------------------------|--------------------|
| | | Risk-based Approach | Customer Due Diligence (CDD) | Politically Exposed Persons / Sanctions | Enhanced Due Diligence (EDD) | Ongoing Monitoring | Record Keeping | MLRO | SAR Reporting | Staff Vetting & Training | Compliance Culture |
| Procedure for risk-assessing (for AML/CFT) new or developing technologies. | X | X | | | | | | | | | |
| Procedure for risk assessing customers. | X | X | | | | | | | | | |
| Procedures or guidance issued to staff ² regarding anonymous or fictitious accounts. | X | | X | | | | | | | | |
| Procedures that set out the CDD requirements for new registrations / initial deposits. | X | | X | | | | | | | | |
| Procedures that set out the CDD requirements for business participants. | X | | X | | | | | | | | |
| Procedures that set out the CDD requirements in relation to qualifying payments. | X | | X | | | | | | | | |

¹ Ahead of a thematic or follow up visit Operators will be advised which AML/CFT topics are to be covered in the visit. Please provide all documentation and information required for the applicable topics.

² Please note that 'staff' is used to describe all directors, or all other persons involved in its management, all key staff and all appropriate employees and workers.

| Procedure | Full AML/CFT Visit | Thematic/Follow-Up ³ (by AML/CFT topic) | | | | | | | | | |
|---|--------------------|--|------------------------------|---|------------------------------|--------------------|----------------|------|---------------|--------------------------|--------------------|
| | | Risk-based Approach | Customer Due Diligence (CDD) | Politically Exposed Persons / Sanctions | Enhanced Due Diligence (EDD) | Ongoing Monitoring | Record Keeping | MLRO | SAR Reporting | Staff Vetting & Training | Compliance Culture |
| Procedures that explain how sanctioned individuals are detected and what actions are to be executed once sanctioned individuals have been identified. | X | | | X | | | | | | | |
| Procedures that explain how PEPs are detected and what actions are to be executed once PEPs have been identified. | X | | | X | | | | | | | |
| Procedure for carrying out enhanced due diligence on higher risk players. | X | | | | X | | | | | | |
| Transaction monitoring procedures including any rules/logic used to identify changes in player patterns, values, etc. | X | | | | | X | | | | | |
| Procedures for reporting suspicious activity | X | | | | | | | | X | | |
| Staff vetting procedures. | X | | | | | | | | | X | |

³ Ahead of a thematic or follow up visit Operators will be advised which AML/CFT topics are to be covered in the visit. Please provide all documentation and information required for the applicable topics.

2. OTHER INFORMATION / DOCUMENTATION

| Information / Documentation | Full AML/CFT Visit | Thematic/Follow-Up ⁴ (by AML/CFT topic) | | | | | | | | | |
|---|--------------------|--|------------------------------|---|------------------------------|--------------------|----------------|------|---------------|--------------------------|--------------------|
| | | Risk-based Approach | Customer Due Diligence (CDD) | Politically Exposed Persons / Sanctions | Enhanced Due Diligence (EDD) | Ongoing Monitoring | Record Keeping | MLRO | SAR Reporting | Staff Vetting & Training | Compliance Culture |
| Up-to-date terms and conditions highlighting those elements which explain to customers what your terms are for AML/CFT matters. | X | | | | | | | | | | |
| If any AML/CFT records (spanning all 10 AML/CFT topics) are held off Island please provide a copy of the Service Level Agreements between the Company and the Service Provider. | X | | | | | | | | | | |
| Minutes from any recent board meetings in which business risks were discussed. | X | X | | | | | | | | | |
| An up-to-date risk assessment of your own business. | X | X | | | | | | | | | |
| Any recent completed new/developing technology risk assessments. | X | X | | | | | | | | | |
| Copy of your player database, or an extract of 1000 players if your database is greater than 1000 players. (to include the information listed at Appendix C) | X | | X | | | | | | | | |

⁴ Ahead of a thematic or follow up visit Operators will be advised which AML/CFT topics are to be covered in the visit. Please provide all documentation and information required for the applicable topics.

| Information / Documentation | Full AML/CFT Visit | Thematic/Follow-Up ⁵ (by AML/CFT topic) | | | | | | | | | |
|--|--------------------|--|------------------------------|---|------------------------------|--------------------|----------------|------|---------------|--------------------------|--------------------|
| | | Risk-based Approach | Customer Due Diligence (CDD) | Politically Exposed Persons / Sanctions | Enhanced Due Diligence (EDD) | Ongoing Monitoring | Record Keeping | MLRO | SAR Reporting | Staff Vetting & Training | Compliance Culture |
| A list of the jurisdictions which you consider higher risk for the purposes of ML/TF risk. | X | X | | | | | | | | | |
| Internal and External SAR registers. Register of Enquires from competent authorities | X | | | | | | | | X | | |
| Staff AML/CFT training records (induction and refresher training). | X | | | | | | | | | X | |
| Training materials or notes used for staff AML/CFT training. | X | | | | | | | | | X | |
| Example of internal training materials used to assist staff with meeting AML/CFT requirements based on the specific systems that they use. | X | | | | | | | | | X | |
| Whistle-blower policy. | X | | | | | | | | | | X |
| List of compliance resources available and whether they work full or part-time on AML/CFT matters. | X | | | | | | | | | | X |
| Up-to-date organisational structure. | X | | | | | | | | | | X |
| Overview of the process to evaluate the effectiveness of your organisations AML/CFT processes. | X | | | | | | | | | | X |

⁵ Ahead of a thematic or follow up visit operators will be advised which AML/CFT topics are to be covered in the visit. Please provide all documentation and information required for the applicable topics.

| | | | | | | | | | | | |
|---|---|--|--|--|--|--|--|--|--|--|---|
| A record of recent AML/CFT effectiveness checks undertaken. | X | | | | | | | | | | X |
|---|---|--|--|--|--|--|--|--|--|--|---|

Appendix B: General Compliance Self-assessment Documents

1. PROCEDURES

| Procedure | General Compliance Visit | Thematic/Follow-Up ⁶ (by General Compliance topic) | | | | | | | | | |
|---------------------------------------|--------------------------|---|----------------|----------------------|------------------|---------------------|-------------------|------------|---------------------------|------------|----------------------------|
| | | Registration and Accounts | Under Age Play | Responsible Gambling | Customer Support | Business Continuity | Data and Security | Financials | Marketing and Advertising | Reputation | General Compliance Culture |
| New Customer Procedure | X | X | X | | | | | | | | |
| Business Continuity Plan | X | | | | | X | | | | | |
| Responsible Gambling Policy/Procedure | | | | X | | | | | | | |
| IT Security Policy | | | | | | | X | | | | |
| Anti-Bribery and Corruption Policy | | | | | | | | | | X | X |
| Whistleblowing Policy/Procedure | | | | | | | | | | X | X |
| Complaint Handling Policy/Procedure | | | | | X | | | | | | |
| Third Party Due Diligence Policy | | | | | | | | | | X | X |

⁶ Ahead of a thematic or follow up visit, the GSC will advise which General Compliance topics are to be covered in the visit. Please provide all documentation and information required for the applicable topics.

2. OTHER INFORMATION / DOCUMENTATION

| Procedure | General Compliance Visit | Thematic/Follow-Up ⁷ (by General Compliance topic) | | | | | | | | | |
|--|--------------------------|---|----------------|----------------------|------------------|---------------------|-------------------|-------------------------|---------------------------|------------|----------------------------|
| | | Registration and Accounts | Under Age Play | Responsible Gambling | Customer Support | Business Continuity | Data and Security | Financials ⁸ | Marketing and Advertising | Reputation | General Compliance Culture |
| Website screenshots | | X | X | X | X | | X | | X | | |
| Details of any verification methods | | X | X | X | | | | | | | |
| Report outlining number of self-excluded or self-limited players | | | | X | | | | | | | |
| Training records | | | | X | | | X | | | | |
| Copy of current Terms & Conditions | | | | | X | | | | | | |
| Copy of complaint register | | | | | X | | | | | | |
| SLA with hosting providers | | | | | | X | X | | | | |
| Copy of registration with Information Commissioner | | | | | | | X | | | | |
| Transaction audits and reports | | | | | | | X | | | | |
| Updated funding agreements | | | | | | | | X | | | |
| Marketing guidance/agreements | | | | | | | | | X | X | X |
| A list of the compliance resource | | | | | | | | | | | X |

⁷ Ahead of a thematic or follow up visit, the GSC will advise which General Compliance topics are to be covered in the visit. Please provide all documentation and information required for the applicable topics.

⁸ Financial analysis will predominantly be carried out based on quarterly returns and annual accounts submitted during the period

Appendix C: Database Sampling

| |
|---|
| User ID (not real name) |
| Email Address |
| Full name |
| Residential address |
| Date of birth |
| Place of birth & Nationality (if recorded) |
| Initial AML/CFT risk rating |
| Current AML/CFT risk rating |
| PEP status |
| Sanctions status |
| Account status (e.g. active, inactive, prospective) |
| CDD status (e.g. electronically verified, CDD documents held, unverified) |
| Account balance (confirming the currency) |
| Date of registration |
| Date of first deposit |
| Total Deposits |
| Total Withdrawals |
| Net Deposits (Deposits minus Withdrawals) |
| Total P&L |
| Number of deposit methods used |

Appendix D: Example on-site checks

During an on-site visit operators may be required to:

| |
|--|
| Run reports to highlight customers that have exceeded the qualifying payment threshold. |
| Run reports to highlight customers that have lost significant sums. |
| Run reports to highlight customers that deposit significant sums. |
| Demonstrate customer risk assessments are carried out, the basis of the risk score and how risk is adjusted through ongoing monitoring |
| Provide a demonstration of how the system/process identifies and deals with politically exposed persons or sanctioned individuals. |
| Provide a demonstration of how the system/process handles registrations from certain jurisdictions. |
| Provide the CDD files of a business participant, preferably one that includes a complex structure. |
| Open test accounts. |
| Supply the identification details of a selection of players showing their risk assessment history, their identification details and their compliance history. |
| Demonstrate the transaction monitoring system/process. |
| Provide some recent cases where ongoing monitoring has identified unusual patterns or behaviour. |
| Provide copies of internal and external disclosures log and demonstrate the investigation undertaken regarding a sample of disclosures. |
| Demonstrate no play is possible on a limited account |
| Demonstrate self-exclusion of an account |
| The GSC Officers may wish to speak to members of staff on the day to assess their understanding of internal policies and training requirements in relation to AML/CFT and General Compliance. |