

Isle of Man Gambling Supervision Commission



Annual Report

2021/2022

Office Address : Ground Floor
St. George's Court
Myrtle Street
Douglas
Isle of Man
IM1 1ED

Telephone Number: +44 (0)1624 694331

Facsimile Number: +44 (0)1624 694344

E-mail: gaming@gov.im

Website: www.gov.im/gambling

www.isleofmangsc.com

Contents

1. Foreword 5

2. The Gambling Supervision Commission..... 6

Statutory Board 6

Regulatory Objectives..... 6

3. The Board of Commissioners 2021/2022..... 7

Commission Appointments and membership..... 8

Staff changes..... 8

Commission Meetings 8

Accountability and Scrutiny 9

Finance 9

4. Organisational Chart 1

5. The 2021-2022 year 2

The regulation of a medicinal cannabis sector..... 2

International Association Memberships 3

The effect of the pandemic 3

Local Sector..... 4

Betting Integrity Expert Group 4

Virtual Currency/Convertible Virtual Currency in gambling..... 4

Interest in the regulation of video game tournaments 4

Anti-Money Laundering Expertise 4

Acquisition of an IT Solution 6

Operator Social Responsibility 6

De-licensing activity 6

AML Forum..... 6

Inter-regulatory cooperation 7

Domestic Authorities 7

The licensing regime for software..... 8

Public-Private Sector Forum on AML/CFT Matters..... 8

Freedom of Information requests 8

Consultations..... 8

Whistle-blowing 9

Information Governance 9

Complaints against the GSC 10

Appeals against GSC decisions	10
Bribery and Corruption	11
Supervision Programme.....	13
AML/CFT Supervision.....	13
Dispute Resolution	15
6. Appendix 1 – Supervision Activity 2021/22.....	16
7. Appendix 2 - Income and Expenditure.....	20
8. Appendix 3 - Annual Plan	23
Progress against last year’s plan.....	23
This year’s project plan 2022/23.....	24
Appendix 4.....	25
4A - Gambling Legislation	25
4B – Medicinal Cannabis Legislation.....	27
9. Appendix 5 – Risks for 2021/2022 and beyond.....	29

1. Foreword

This foreword details two contrasting aspects of our regulatory work. One aspect has required significant investment of time and research to more fully understand its complexity. The other has presented us with scalability challenges during a period of surge. The first of these is the medicinal cannabis sector.

We have provided a breakdown of our first year regulating medicinal cannabis and it has been interesting to evaluate that sector's position in relation to the online gambling sector, particularly when that was in its infancy in early 2000.

Three things have been immediately noticeable to us:

- The marketplace operates in a very different way to gambling; it is narrower in terms of the number of suppliers it can support, and is not strictly competitive, for example advertising to potential customers is heavily restricted;
- It is subject to market interventions that arise from international convention requirements, for example on the trading of produce between countries that are convention signatories and the need to carefully match supply and demand;
- Entities in the market are dual-regulated, that is to say a national cannabis agency, such as the GSC, controls the import, export and security arrangements whereas a separate medicines regulator controls drug safety, consumer protection and the quality control elements of production and manufacture. This latter regulation imposes significant obligations on potential operators including strict specifications on premises, which, if not applied during the build or conversion process render the facility non-compliant.

Furthermore, the market is somewhat dependent on country-by-country interpretations of international conventions, as can be seen in the way some markets in North America have developed. That patchwork of attitudes continues to develop each year.

At the time of publishing, we have approved an applicant for storage and transport, and we have issued an approval-in-principle for a high-THC indoor cultivation facility. It is a modest start, but an important one for the Island.

In contrast to the medicinal cannabis sector, our gambling estate continues to surge. Ten years ago, in the 2011/12 reporting year, there were 40 online gambling companies licensed by us. This year, that figure is 74. At the time of publication, albeit unusually late, that figure stands at 83 + 4, the latter being applications in progress or approved.

As the number of licences in the sector increases, we are obliged to match its expansion in order that we continue to manage the risks that society and the Isle of Man expect us to.

It is a fact that our challenges remain in the recruitment and retention of staff, and latterly in the provision of sufficient accommodation. The staff that we do recruit come from a pool of local talent that supplies people not only to ourselves but also to the increasing number of gambling operations that apply for our licensing. Our staff typically leave to take up more senior positions in the gambling industry. However we do gain comfort that the skills they have acquired with us are retained in the broader Isle of Man gambling sector.

Jon Allen, chair.
Steve Brennan, chief executive.

2. 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 a number of mandates.

For its regulation of gambling, 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.

For its regulation of the medicinal cannabis sector, the mandate is to prevent the misuse of drugs, which seeks to ensure that the cultivation, production and supply of cannabis in the Isle of Man is for medical or research purposes only.

3. The Board of Commissioners 2021/2022



Jon Allen
Chairman



David Butterworth –
Deputy chair



Suzanne Collins
Member



Giles Day
Member



David Reynolds
Member



Greg Petts
Member

Commission Appointments and membership

Appointments to the Board of Commissioners are made by the Treasury subject to the approval of Tynwald¹. Treasury will appoint one member of the Commission to be the Chairperson and another, the Deputy Chairperson. When making appointments Treasury must ensure that at least one member of the Commission is an advocate, barrister or solicitor of at least five years' standing, one member has experience of online business and one member has experience of gambling business.

A member of the Commission is appointed for a five year term and is eligible for reappointment on conclusion of that term.

Commission membership for the 2021/2022 year		
Position	Member	Expertise
Chair	Jon Allen	Technology & Commerce
Deputy chair	David Butterworth	Information Technology
Member	Suzanne Collins	AML/CFT & Compliance
Member	Giles Day	Risk Management/Compliance & Cannabis Industry
Member	David Reynolds	Legal
Member	Greg Petts	Audit

Staff changes

During the 2021/22 year there was only one leaver (who left during their probationary period) and headcount increased significantly in order to meet the continued increased in supervised gambling entities, licence applications and to supervise the new medicinal cannabis sector.

For the first time, the GSC recruited multiple Inspectors at the same time which yielded some limited but welcome efficiencies in the recruitment and training processes. The new recruits bring valued experience from their work in the Constabulary, Income Tax, private sector and local authorities. In addition to external recruitment, there were three internal promotions; Acting Senior Inspector made permanent, Inspector to Senior Inspector, Officer to Senior Officer.

The GSC maintained its Senior Management Team of four persons, increasing headcount at middle-management and Inspector/Officer level. A review of the Senior Management Team was carried out later in the year in order to evaluate the performance of the GSC's leadership during the unprecedented growth. The review generated some recommendations that will be considered and, where appropriate, implemented in the coming year. The structure has evolved into specialist teams and dedicated technical roles aimed to address the continued diversification and increasingly technical nature of the GSC's supervised sectors as well as aid scalability and succession planning.

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 is

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).

required, with one being either the Chairperson or Deputy Chairperson. The licensing decisions of the Board for 2021/22 are shown below:

Licensing decisions for the 2021/22 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	1	0
Online gambling operators	27	6

Accountability and Scrutiny

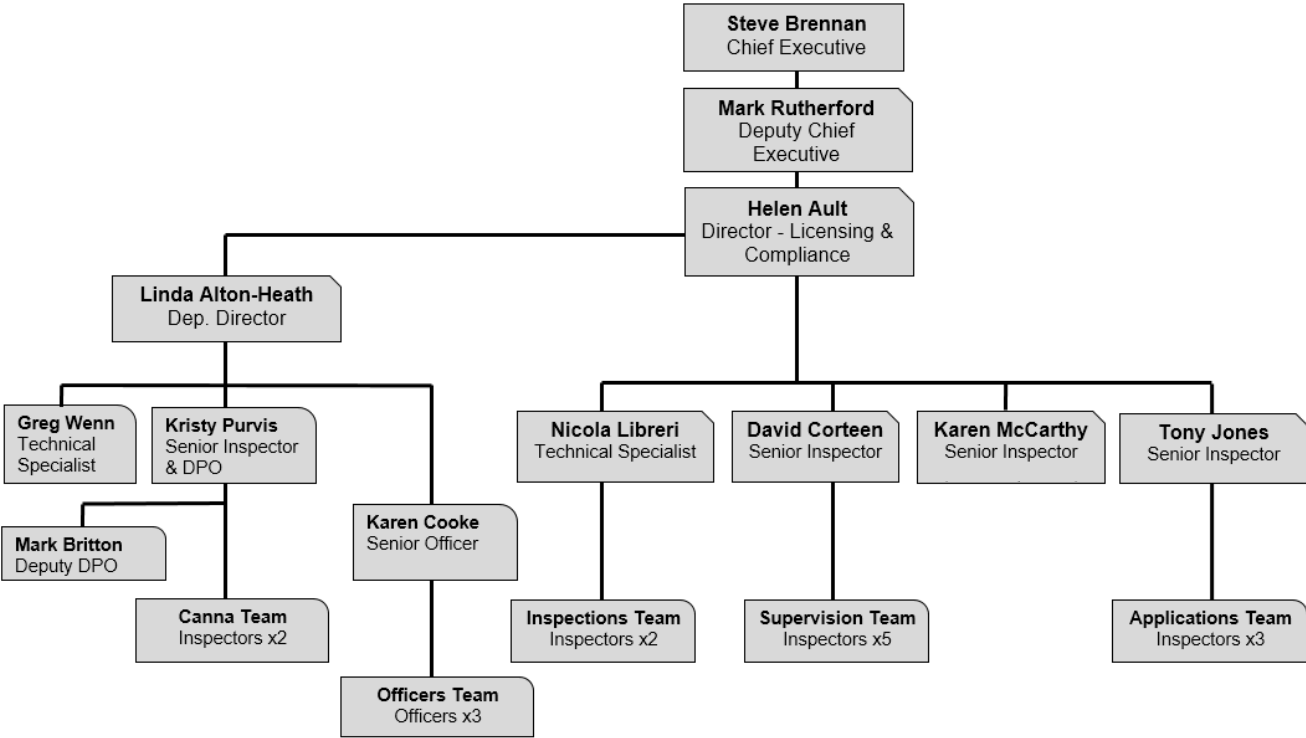
The Commission is subject to scrutiny in the following areas:

- 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.

4. Organisational Chart



As at 01.04.2022

5. The 2021-2022 year

The regulation of a medicinal cannabis sector

The GSC is the interim national cannabis regulator for the Isle of Man. Powers to issue licenses were obtained in 2020 and the GSC opened its licensing process to business in June 2021.

During the reporting period, the GSC continued to build its licensing framework. In part, this process occurred through the discovery of issues that could only come to light during the processing of a live application.

Two significant issues were encountered during the processing of the first application.

The first of these issues occurred when it was identified that the GSC needed to revise its GDPR arrangements. The GSC suspended processing and the position was corrected in law in June 2022 with the introduction of specific regulations that created the correct lawful basis for processing personal data.

The second of these issues was identified by the GSC with the assistance of its partner organisation in the UK, the Drugs and Firearms Licensing Unit of the Home Office.

In order for medicines, including cannabis medicines, to be manufactured and sold, the company that produces and sells the medicine must have permission to do so from a dedicated medical regulator (whose area of interest is different from that of the GSC or Home Office). This medical regulator in turn specifies medicine safety requirements e.g. particular standards of quality control in premises; traceability of medicine batches and reporting of adverse notifications; and reliability of processes and management. Licenses are issued once the requirements are met.

Large countries have dedicated bodies that undertake this work – in the UK, it is the Medicines and Healthcare Products Regulatory Agency (The MHRA) – but smaller countries such as the Isle of Man traditionally have no demand for such a body, unless they also host a medicines manufacturing sector, and cannot justify maintaining such a specialist organisation. However, with the introduction of the medicinal cannabis sector in the Isle of Man, it became apparent that future Isle of Man business would require this form of licensing. A project was therefore commenced by Government to consider how best to award such licenses to Isle of Man business: this project will likely rely upon an agreement with a specialist accrediting body, such as the MHRA, which will allow access to specialist skills on a request-basis.

The GSC has also had an opportunity to observe the medicinal cannabis markets in more detail and has concluded that the markets are currently in their infancy and remain tightly controlled by a United Nations Convention, which expects extra supply to be brought on stream only where medical demand can be proven to exist. This differs considerably from the gambling market, where market forces alone dictate supply and multiple operators can offer as much supply as they wish, governed by competition alone.

In addition, the GSC's successful processing of an application, which results in the issue of an approval-in-principle letter is simply the starting point for an operator looking to build or convert premises, obtain approvals from medicines regulators and establish supply chains to sustainable demand for product. Unlike gambling companies that can commence operations once the licence has been issued, a cannabis cultivator or manufacturer has a significant lead time before it can commence operations; for this reason, the GSC does not currently charge an application fee nor require the licence to be purchased until product is to be imminently grown or processed.

Medicinal cannabis sector status for the 2021/2022 period		
Applications	received	8
	Of which, declined	3
	Of which, began processing	4
	Of which, other ²	1
Licensing	Approvals in principle	2
	Licences issued	0
	Licences returned or revoked	0
Financials	Available from Economic Recovery Fund	£393,223
	Of which, drawn down	£0
	Of which, absorbed by core GSC budget ³	£232,228
GSC Capacity	1 Senior inspector	
	2 Inspectors	
	1 officer	

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.

This year, the GREF plenary was postponed because of CoVID considerations and the GSC did not attend the IAGR plenary in person. The GSC made use of video conferencing equipment developed during the first pandemic.

The effect of the pandemic

The Isle of Man entered the 2021/22 year still in its third lockdown due to an increase in cases following the 2021 festive period. The Inspectorate resumed working in the office in May although staff members continued to be affected by cases throughout the year meaning that there were higher than normal levels of absence and periods where some staff worked from home. Whilst the GSC is fortunate to be able to accommodate working from home this proves challenging from an operational point of view, especially when there are many new starters requiring close supervision and training.

² This application terminated on the grounds of unsuitability.

³ A claim was prepared to draw funds from the Economic Recovery Fund, but the costs were absorbed by the GSC's budgetary surplus instead.

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.

During the year, an additional slot machine supplier was approved bringing the total number of suppliers to four. Whereas the number of premises approved for machines to be sited reduced by six, bringing the total to 77. An application was also made for an additional licensed betting office to be opened by an existing bookmaker in the North of the Island. The application was under review at the end of the reporting period.

Betting Integrity Expert Group

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

Throughout 2021/22, the GSC has continued to work closely with the various sporting bodies, receiving 103 sports betting integrity queries, down from 164 in the previous year.

As was the case last year, the vast majority of the queries received during 2021/22 were from the Esports Integrity Commission although fewer queries were received this year. While a drop in queries is welcomed, it is too early to understand whether this is due to the esports sector maturing, the issuance of bans or whether there are other factors at play.

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.

During this report period seven licensees applied the additional AML/CFT and compliance framework that the GSC requires for licensees operating with crypto-currency.

Interest in the regulation of video game tournaments

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

The GSC has continued its membership of this project while the Isle of Man's strategic goals continue to be refined by the Department for Enterprise.

Anti-Money Laundering Expertise

The GSC supervises Anti-Money Laundering and Counter Terrorist Financing (AML/CFT) compliance and to this purpose has issued a Code: the Gambling (Anti-Money Laundering and

Countering the Financing of Terrorism) Code 2019. The Code is issued under the Gambling (Anti-Money Laundering and Countering the Financing of Terrorism) Act 2018.

This framework of legislation sets out the general compliance regime and expectations for all licence holders under the various primary Gambling Acts. It covers all business models that are deemed as part of the regulated sector under the Proceeds of Crime (Business in the Regulated Sector) Order 2019.

Additional to legislation the GSC issues guidance on compliance with the AML/CFT requirements and additional requirements for high risk areas such as the use of crypto currency or licence holders not deemed part of the regulated sector such as software providers.

Within the GSC itself senior staff work closely with the Isle of Man Government's AML/CFT Policy Office, and participate in the co-ordination and improvement of AML/CFT standards in line with national and international developments. This includes monitoring compliance with MONEYVAL⁴ requirements and maintaining a high level of compliance with the Financial Action Task Force (FATF) standards. The GSC has industry and regulatory representation on the AML/CFT Advisory Group, regulatory representation on the Financial Crime Strategic Board, co-chairs the AML/CFT Technical Group with the Financial Supervision Authority (FSA) and hosts regular industry AML/CFT forums.

The GSC's Director of Licensing and Compliance holds MONEYVAL assessor status and, during the year, participated in a peer review of another MONEYVAL member jurisdiction supported by the GSC. Two members of staff hold ICA Diplomas in AML/CFT and one is a certified AML Specialist (CAMS). All staff undergo specialist training and during the period

Staff are supported to develop AML/CFT expertise by studying and acquiring internationally recognised AML/CFT qualifications including a specialist ICA Certificate in Money Laundering Risk in Betting and Gaming which is currently held by 6 staff members.

Annual AML Training was delivered to all staff in November 2021 and during the same month crypto based AML/CFT training was delivered as part of an in house training programme to the Inspectorate. Individual specialist AML/CFT training and webinars have included–

- FATF Risk Based Supervision
- FATF Trade Based Money Laundering
- MONEYVAL standards
- ECOFEL Professional Money Laundering Certificate
- ECOFEL Introduction to Trade Based Money Laundering
- Basel Institute Cryptocurrency and AML Compliance and Crypto Asset Tracing
- Financial Flows of Online Child Exploitation
- Law Enforcement Agency (LEA) Communication and Strategy Planning
- LEA Cooperation
- Introduction to Virtual Assets
- Basel Institute Source and Application of Funds Analysis
- Blockchain analysis in a Multi Asset World
- Cross Chain Investigations
- Senate Hearing Understanding the Role of Digital Assets in Illicit Finance
- Medicinal Cannabis and CBD Oil Diploma

⁴ MONEYVAL is a Council of Europe body formed to assess compliance with international AML/CFT Standards.

Future training plans include arranging for staff to complete a Level 7 BTEC in Investigative Practice adding to the investigative management skills within the GSC.

Acquisition of an IT Solution

The GSC continues to develop additional functionality for its ATLAS system, the development of which is co-shared with the Financial Services Authority. The system is being introduced in a series of modules, each module offering additional functionality.

The enhancement to allow data from returns made to the GSC by its licensees to be automatically imported into the database (and then examined by a management information system) has been completed.

The next planned enhancement will focus on the integration of a document management system.

The project is in its fourth year and remains within its budget.

Operator Social Responsibility

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

Operator contributions to support education, research and treatment of problem gambling for the year 2021/22.		
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
£233,565.63	£564,089.30	£797,654.93
Non-financial contributions	Nil	

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 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.

No enforcement actions were necessary this year. All remediation exercises were completed or were, at the time of writing, progressing satisfactorily.

AML Forum

Established in 2016 originally as a forum for MLROs, the AML Forum provides a mechanism for the GSC to provide updates regarding legislation, trends, 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.

In 2019 the group membership was expanded to include AML/CFT Compliance Officers in response to the new AML/CFT Code requirements.

The group has held 16 meetings since 2016 and during this reporting period met twice, in July 2021 and January 2022. These forums were attended by representatives from 27 individual licence holders and included attendance by other supervisors, the FIU, guest speakers and representatives of other government departments. Remote attendance was introduced in January 2022 to engage with a wider audience and provide a more accessible meeting format.

Subjects for discussion included –

- Application volumes
- Product trends and risks
- Supervisory process updates and changes
- Staffing and recruitment
- FATF and Moneyval updates
- Legislative updates –
 - Beneficial Ownership Act
 - Proceeds of Crime Act changes
- Regulation of cannabis and industrial hemp cultivation
- Anti-Bribery and Corruption project
- FIU updates
- Cyber Security

Feedback was gathered at the January 2022 meeting on the format and content of the meeting. The option to attend remotely was welcomed and topics for further discussion were suggested including source of wealth, crypto and workshops on emerging supervisory trends. This feedback will be built into future meetings as a way of focusing the group on areas of relevance.

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 GSC continued to work closely with its regulatory counterparts, including the UK where information on a mutual gambling licensee was exchanged.

In addition, the GSC was pleased to welcome its cannabis regulatory counterparts from the UK to the Island and the affiliation yielded significant value to the GSC's work and the development of the broader Isle of Man offering.

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.

The number of software licences continues to grow, comprising approximately one third of the total number of online gambling licenses.

Public-Private Sector Forum on AML/CFT Matters

The Isle of Man Government hosts a quarterly meeting known as the AML/CFT Advisory Group. The meeting brings together representatives from the competent authorities and from key sectors in all sectors of industry that are subject to oversight and regulation. The group discusses trends in regulation and raises issues that are generally addressed outside the group by the relevant agencies. A representative from the AML Forum now attends this group in addition to the GSC's representative.

Meetings of the AML/CFT Advisory Group took place in May and July of 2021 and January 2022 each of which were attended by an industry representative and the May meeting was attended by GSC's Policy and Legislation Technical Specialist and the January meeting by the Director of Licensing and Compliance. No GSC representatives were able to attend in July.

In addition to representation on the AML/CFT Advisory Group, the GSC co-hosted the AML/CFT Technical Group along with the FSA. The Technical Group is a public sector forum tasked with enabling the co-operation and co-ordination between relevant officers in Government, supervisors and law enforcement in the combatting of money laundering and terrorist financing. Two meetings of the technical group took place in the reporting period, one hosted by the FSA in June 2021 and the other hosted by the GSC and in January 2022. Various legislative developments, national and international strategic developments and key issues were subject of discussion.

Freedom of Information requests

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

Freedom of information requests for the 2021/22 year	
Information requested	GSC's response
How many application for medicinal cannabis licences submitted and how many licences issued	All information supplied
How many cannabis convictions have been secured from 2018 onwards, and with what sentences	Referred to Constabulary
How many medicinal cannabis licences issued	All information supplied

Consultations

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

Consultations for the 2021/22 year

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

Whistle-blowing

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

Instances of whistle-blowing for the 2021/22 year	
Number of instances recorded	Nature of the disclosures
0	n/a

Information Governance

The GSC applies the Isle of Man's version of the European Union's General Data Protection Regulation.

During 2021/22, the GSC focused on a GDPR framework to bring data protection to the forefront of the GSC's activities and decision making, embedding the data protection principles into its processing activities. To reinforce data protection by design and default across the organisation, the GSC provided five training sessions across the Inspectorate and Commission.

This year has also seen the GSC review business processes that involve the processing of personal data. The purpose of the review was to identify and minimise data protection risks by reviewing the objective of processing and compliance with the GDPR principles.

As the GSC had seen substantial growth, at the end of March 2022 an Information Governance Group was formed to provide a strategic and legal framework for governance matters and to assess and escalate risk.

In January 2022 the GSC received a warning Notice from the Information Commissioner's Office (ICO) which specifically related to the processing of personal data relating to cannabis licensing. On behalf of the GSC, the AGC consulted with the ICO and drafted regulations specific to data processing. Although outside of the scope of this report, it is noted that the regulations were placed on the agenda for June Tynwald and came in to effect immediately.

Multi agency collaborative working has been major part of the team's agenda for 2021, providing technical advice to the senior management team on a number of strategic projects.

Data protection breaches for the 2021/22 year	
Number of data protection breaches	3
Number of breaches reported to the Information Commissioner	none
Notes on breaches	None of the breaches resulted in harms to the rights and freedoms of data subjects. Two of the breaches were in the category of near misses, meaning that the same mode of failure but with different data might have resulted in a reportable breach.

	<p>(1) Near miss – Email: use of “To” instead of “Blind courtesy copy” – recipients were internal to GSC;</p> <p>(2) Glitch: an unexplained error on Microsoft Teams allowed an external attendee to proceed past the lobby function and attend the meeting before they were admitted (it was noticed simultaneously by the GSC as meeting host and discussion halted while the attendee was put back in the lobby);</p> <p>(3) Near miss - process: A request for GSC information from a licence holder was fulfilled but the data sent accidentally included the names of the requester’s affiliates. These were already known to the requester.</p>
--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

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 2021/22 year	
Number of DSARs made	4
Of which, appealed to the ICO	0
Of which, upheld by the ICO	0

All requests were processed within the prescribed period.

Complaints against the GSC

Complaints about the GSC’s inspectorate can be made to the board and the GSC is subject to the Isle of Man’s dolence 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.

No complaints were made against the GSC in the reporting period. One complaint remains unresolved.

General complaints against the GSC for the 2021/22 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
1	0	0
General complaint outcomes for the 2021/22 year		
Complaints resolved in favour of GSC	0	
Complaints resolved in favour of the appellant	1	

The open complaint concerns the deployment of a type of slot machine in the Isle of Man that the complainant claims is unlawful. The GSC has agreed to clarify the law in this area.

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, including dedicated provisions in gambling Acts and doleance claims.

Appeals made against decisions of the GSC for the 2021/22 year		
Open appeals at the start of the reporting year	New appeals received during the reporting year	Unresolved appeals at the end of the year
0	0	0
Appeal outcomes for the 2019/20 year		
Appeals resolved in favour of GSC	0	
Appeals resolved in favour of the appellant	0	
Appeals withdrawn by the appellant	0	

Bribery and Corruption

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

Instances of bribery/corruption reporting for the 2021/22 year	
Number of instances recorded	Disposal of reports
0	n/a

Licensed Online Operators in the Period

Licensed operators during the 2021/22 year	
Licensee	Licence type
5D International Ltd	Full
Ableton Prestige Global Limited	Full
Aceking IOM Limited	Full
Alliance Gaming Solutions Limited	Network Services
Andromeda Limited	Software Supply
Annexio Limited	Full
Autonomode Limited	Full
Babylon Gaming Limited	Software Supply
Black Cat Holdings Limited	Full
Blue Lotus Limited	Network Services
Blue Sapphire Limited	Network Services
BMO Manx Limited	Network Services
Bootstrap Technologies Limited	Software Supply
Celton Manx Limited	Network Services
Chrysalis Ltd	Full
Crombec Limited	Software Supply

Cube Limited	Full
Cybersoft Limited	Network Services
Dalmine Limited	Sub-Licence
Deriv (MX) Ltd	Full
Empire (IOM) Limited	Full
Endon Technologies Limited	Software Supply
Epiry Solutions Limited	Software Supply
Eurorace Limited	Full
Fair Sports Limited	Software Supply
FC Network Limited	Software Supply
Games Global Operations Limited	Software Supply
GG International Limited	Network Services
Global Odds Trading Limited	Full
Golden Bridge Drive (IOM) Limited	Software Supply
Green Rock Limited	Software Supply
Greenplay Entertainment Limited	Full
Hero Manx Limited	Full
HGIM Ltd	Software Supply
iGaming Deck Limited	Software Supply
JNS Gaming Limited	Full
King Gaming Limited	Full
Livestream Esports Limited	Full
LOTP Limited	Full
Mahjong Logic Limited	Network Services
Maya Game Technology Limited	Software Supply
Mayfly Entertainment Limited	Full
Nolimit City Services Limited	Software Supply
Omega Interactive Limited	Software Supply
Onetouch Technology Limited	Software Supply
Plannatech (IOM) Limited	Network Services
Premier Gateway International Limited	Full
PremierGaming (IOM) Limited	Software Supply
Rational Entertainment Enterprises Ltd	Network Services
Real Time Games Holdings Limited	Full
Redplay Limited	Software Supply
Reliato Limited	Software Supply
Rivalry Limited	Full
SDN Gaming Limited	Full
Serlo Limited	Full
SGS Technologies Limited	Network Services
Shelgeyr Limited	Full
SK IOM Limited	Full
Skyline Solutions Inc	Software Supply
Solar Spirit Gaming Limited	Software Supply
Solarstorm Limited	Software Supply

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

Supervision Programme

The GSC applies an extensive supervision programme over all its licensees including on-site inspections, quarterly reporting and annual audits. As well as identifying non-compliance issues that require remedial action, the approach also provides a feedback loop for the improvement of the supervision framework. Changes to procedure, policy and legislation have been informed through this approach.

Appendix 1 shows the detailed supervision programme for 2021/22.

AML/CFT Supervision

Terrestrial Visits including AML/CFT:

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

- 3 casino visits in 2021/22 with AML/CFT included.
- 3 bookmaker visits in 2021/22 with AML/CFT included.

Terrestrial operators were subject to ongoing closures as a result of lockdown and circuit breaker activity and experienced no or low activity during the period reducing the supervisory risk. However due to visit timings onsite supervisions were carried out and compliance with the new AML/CFT Code requirements for terrestrial licence holders was assessed.

Supervision of Online Gambling sector including AML/CFT:

AML/CFT inspections of the online gambling sector have been conducted using risk-based methodologies since Quarter 1, 2016. During 2021/2022 the GSC updated its supervision framework, including the introduction of self-assessments and more in depth desk top reviews (being reviews based on information requested from the operator electronically). This was to allow for a more flexible supervisory regime, which is especially valuable in times where it is not possible to conduct on-site inspections (i.e. during lockdowns or other pandemic measures).

The risk-based process was also expanded to include supervision against standards set out in the various regulations and orders made under the Online Gambling Regulations Act 2001, which the GSC refers to as "general compliance" as distinct from AML/CFT compliance. Previously general compliance inspections had been arranged on a fixed timeframe rather than using a risk based approach.

Software Supplier Licensees, which are exempt from the AML/CFT Code due to the lower-risk nature of the business are still required to demonstrate compliance with the GSC's AML/CFT guidance for software suppliers, which includes best practice on conducting risk assessments, the reporting of suspicious activity and staff training. These activities are the responsibility of specially nominated AML/CFT Officers. Software licensees are also subject to a limited form of general compliance supervision.

Online Gambling - AML/CFT Compliance:

The following ten areas are assessed for AML/CFT compliance for online B2C gambling operators, and areas 1, 7, 8 and 9 for B2B (Software Supplier) operators.

- 1) Risk-based approach;
- 2) Customer due diligence;
- 3) Customer screening;
- 4) Enhanced due diligence;
- 5) Ongoing monitoring;
- 6) Record keeping;
- 7) AML/CFT staff
- 8) Suspicious activity reporting;
- 9) Staff vetting & training;
- 10) AML/CFT Compliance culture

The new supervision framework also introduced a change in the "scoring" of AML/CFT and general compliance. Deficiencies are now divided into "minor" and "major" so that remediation efforts can be prioritised; and to allow for more accurate risk ratings to be applied by the GSC to its operators.

As a result of the changes it is unusual to find 100% compliance as there are always strengths and weaknesses within any compliance framework. Where ratings are satisfactory the GSC may still make recommendations where it sees improvements could be made to existing compliance frameworks.

Self-assessments and the new desk top reviews began in January 2021. Onsite visits conducted during the 2021/2022 period were focussed on high-risk and medium-high risk operators, primarily those undergoing their first visit, and these visits were directed by the new risk based approach. *Due to this, the statistical collection for this year is not comparable to previous years and is reflected in the table below.*

The previous supervisory process was long established and licence holders had, through multiple supervisions, brought their processes and practices up to the expected standard. The new supervisory process looks to improve on the existing standard and it is to be expected that more deficiencies will be identified, driving greater improvement over further supervisions.

Common deficiencies in the most recent visits included the following–

- Policies and procedures not dated, regularly reviewed or including version controls
- Business Risk Assessments not addressing specific business risk but focusing on generic industry risks
- Technology risk assessments not carried out on new and developing technology
- Increased awareness of how to identify and exclude problem gamblers required at customer service level.
- Unclear rationales given for setting thresholds for enhanced due diligence processes
- Ongoing monitoring of transactions and customer risk not always documented

- Decision making such as discounting of false positives and source of wealth not always documented
- Additional verification not always applied consistently or documented

Three year rolling statistics, sector AML/CFT compliance visits for the 2021/22 year			
	2019/20	2020/21 ⁵	2021/2022
Number of AML/CFT onsite visits	22	1	5
Number with 100% compliance	16	0	0
Number with Minor Deficiencies			5
Number with Major Deficiencies			1 (item a)
AML self-assessments completed			
Software Supply only licence holders			16
Full B2C licence holders			4
Number with Minor Deficiencies			17
Number with Major Deficiencies			2 (item b)

There was one incidence of a serious major deficiency resulting from an onsite visit which was escalated to the GSC's Risk Committee for further consideration of follow up action (item a). There were two major technical deficiencies identified through self-assessment and resolved through remediation (item b). All identified minor and major deficiencies were the subject of remediation plans and all are remediated, or were on track for remediation at the time of writing. Outcomes of the visits and assessments undertaken are fed into the assessment of risk and inform future visit and assessment scheduling.

Dispute Resolution

From time to time players contact the GSC with a complaint about an licensee. 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.

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. Once it is apparent that a complaint has been abandoned

⁵ Onsite visits weren't possible during the pandemic lockdown and travel restrictions. Self-assessments were underway during this period.

Complaints statistics for 2021/22							
Core principle	Number of complaints received	Number of complaints resolved	Where a dispute occurred, findings in favour of:			Abandoned by complainant	Non Isle of Man
			complainant	operator	mutually resolved		
Excluding Crime	50	50	2	12	8	18	10
Protecting young & vulnerable	4	4	1	2	0	1	0
Fairness in gaming	46	46	5	14	6	13	8

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

Complaint statistics – companion table	
Category	Includes
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	
<p>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.</p> <p>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.</p> <p>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.</p> <p>4 Inappropriate messaging: This occurs when a player has self-excluded and continues to receive marketing material and incentives to gamble.</p> <p>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.</p>	

6. Appendix 1 – Supervision Activity 2021/22

The following table shows the visits undertaken in the period:

Licensee general compliance visits for the 2021/22 year

Type of operator	Visits
Licensed betting offices	3
Casino	3
Online gambling companies	5

During this year the GSC restructured supervisory visits to include technical checks comprised of self-assessments alongside practical desktop reviews and onsite visits. Supervision is now scheduled utilising individual risk assessments and higher risk operators undergo more frequent visits that include onsite assessments. This approach has meant the GSC can tailor visits to operator risk, focus on thematic areas and conduct remote visits where restriction on travel, or lockdowns are in place.

AML/CFT Self-assessment questionnaires and desk based review completed for the 2021/22 year	
OGRA licensee	4
Software Supplier licensee	16
AML/CFT Visits carried out in 2021/22	
OGRA licensee	5

A number of online licensees use the services of third parties to supply live-dealer services, where the drawing of the cards, the spinning of the roulette wheel and so forth are televised live from a dedicated studio. These third parties are not licensed by the GSC and are globally distributed. It is a condition of the online licence that the GSC is permitted to inspect these services and a licensee cannot use a studio that refuses to be inspected. Approved test laboratories act as the GSC's inspectors and the test personnel travel to the site and inspect it to the GSC's requirements before producing a detailed report for the GSC.

Live dealer studios are inspected every year. However some concessions were given during the lockdown period and inspections were either postponed where previous audits were satisfactory or permitted to be carried out remotely.

Live dealer studio inspections for the 2021/22 year	
Checks completed	66

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

Licensee returns submitted to the GSC for the 2021/22 year	
Type of return	Submissions
Casino unusual incidents	12
Casino return-to-player reports	4
Online gambling quarterly reports	207

AML/CFT Returns	185
-----------------	-----

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

Description of Return types deployed for supervision for the 2021/22 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 comparative analysis of licensees' annual accounts which must be submitted to the GSC each year.

Licensees' accounts analysed for the 2021/22 year	
Accounts analysed	45

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 terrestrial 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.

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.

Desktop checks are carried out after licensing prior to the operator going live with their products. The outcome of the check is recorded and more information can be requested to clarify outstanding points. Following the launch of an operator's business RM checks are then carried out periodically to ensure that relevant legislation, licence conditions and policy is being adhered to. Prior to any supervisory visit a more in depth RM check is carried out and recorded and the focus is to note any areas requiring further investigation during a visit.

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 2021/22 year	
RM checks conducted	20

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 uses a third party database into which a list of key controllers and companies is input. The database is indexed against public domain information each day and the GSC checks the output periodically.

7. Appendix 2 - Income and Expenditure

Income and Expenditure breakdown for the 2021/22 year, with comparator for 2020/21		
Income categories	2020/21	2021/22
Gaming Betting & Lotteries Act fees ¹	2,190	1,570
Gaming Amendment Act fees	21,368	21,593
Online Gambling Regulation Act fees ²	2,229,978	2,756,274
Casino Act fees ³	400	193,204
Other income ⁴	3,220	0
Total Income	2,257,156	2,972,641
Expenditure categories		
Salaries ⁵	942,854	1,490,429
Commissioners' honoraria ⁶	70,831	69,397
HR costs ⁷	4,860	9,282
Premises	0	0
Professional fees ⁸	61,248	21,362
Travel ⁹	0	5,317
Operating Expenses ¹⁰	138,140	128,755
Other Expenses	0	2
Total Expenditure	1,217,933	1,724,544
Balance	1,039,223	1,248,097

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. This year's data contains a continuity anomaly that has arisen because of a date-related issue, specifically

that the arrangement of invoicing and payment has straddled the reporting year, resulting in this year's sum being aggregated with the previous year's sum. However, the sum is financially accurate.

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 2021/22 year	
Pay range	Number of employees
<£99,999	26
£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 2021/22 year	
Total paid	£2,264

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 2021/22 year	
Government providers	£0
External providers	£9,282

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 2021/22 year	
Accountants	0
Enhanced due diligence	0
Legal fees	0
Police checks	2,548
Other	18,814

9 When possible, the GSC seeks to send 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. The rates are published by Government.

GSC travel/subsistence expense claims for the 2021/22 year	
Total claimed	£5,317

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 2021/22 year plus loan charges	
Stationery, office supplies, printing	£21,764
IT provision	£25,023
Of which, hardware	£19,084
Of which, maintenance	£5,939
ATLAS development	
Loan Charges*	£0

*loan relates to interest on capital expenditure for bespoke Regulatory System, ATLAS; for 2021/22 onwards Treasury ceased recharging interest

8. Appendix 3 - Annual Plan

Progress against last year's plan

Projects for the 2021/22 year
<p>Cannabis licensing – pilot programme</p> <p>The GSC opened its medicinal cannabis licensing framework in June 2021. However, defects in compliance with the GDPR required it to suspend operations until compliance could be re-established. This was done in the 22/23 reporting period and the framework is again available to applicants.</p> <p>Refinement of the framework continues.</p>
<p>Safer gambling initiative.</p> <p>The GSC is part of a multi-agency approach to establish evidence led and intelligent regulatory solutions for problem gambling. Working with both public and private sector stakeholders, including members of the eGaming Strategic Advisory Board, the GSC remains integral to the delivery of this initiative and remains committed to its delivery.</p>
<p>AML/CFT commitments to Bulgaria MER.</p> <p>One member of the GSC's staff is MONEYVAL-assessor trained. She played a critical role in the evaluation of Bulgaria, and received recognition for her work from the organisation (MONEYVAL) conducting the review.</p> <p>This project has been completed.</p>
<p>Accommodation</p> <p>The GSC's accommodation was expanded to allow additional recruitment to take place. As the number of licensees continues to grow, the ratio of staff to licences is roughly linear, and accommodation remains the critical path for the GSC. Obtaining larger accommodation carries a long lead time.</p>
<p>Clarification of the law on multiple-line controlled machines</p> <p>This year, the GSC was obliged to commit its legislative resources to the GDPR regulations for medicinal cannabis. Unfortunately the GSC was unable to make any meaningful progress on this matter.</p> <p>This project remains open.</p>
<p>Continued upgrades for the GSC's IT system</p> <p>The GSC's IT system (ATLAS) was successfully upgraded with a module that now allows the system to "scrape" data from licensee's quarterly returns and make the data available for (1) automatic validation and exception reporting; and (2) information management tools, such as Microsoft's PowerBI.</p> <p>This module of the ATLAS project is complete.</p>

This year's project plan 2022/23

Open and Planned projects for the 2022/23 year
<p>Cannabis licensing</p> <p>The GSC has resumed licensing. With the assistance of its UK counterpart, the GSC has also identified a small but important gap in the Isle of Man's licensing proposition. Work to understand the boundary between the GSC and another Isle of Man competent authority is underway to ensure that the sector can function properly.</p>
<p>Safer gambling initiative.</p> <p>The GSC's existing regulations take player safety into consideration and form an important baseline for protection. However, there is always room for refinements that make the regulations more effective. The GSC remains committed to a multi-agency approach to generating additional intelligent regulatory solutions for problem gambling. Without combining licensees, the regulator, clinicians and academics, any solutions implemented in this sensitive space are essentially experiments with unpredictable consequences. However, the GSC recognises that the priorities of other agencies may not necessarily mesh with its own and is considering what meaningful, unilateral actions it could take in this important field to prepare the ground for the future.</p>
<p>GDPR review for the gambling sector</p> <p>The work that was done to bring the GSC into compliance with the GDPR for the medicinal cannabis sector has given the GSC the opportunity to test its GDPR assumptions about the gambling sector. This project is in the nature of a confirmation that the assumptions that underpin the GSC's compliance are still correct.</p>
<p>Regulatory college</p> <p>The GSC has committed to assist a fellow regulator from another country to understand how the online gambling sector can be safely regulated. Notwithstanding there is an intrinsic virtue to helping fellow regulators, the risk that the GSC could be enabling a future competitor to the Isle of Man in the global market has been very carefully considered.</p>
<p>Reform of the law on multiple-line controlled machines</p> <p>The GSC intends to consult on a possible policy change with respect to the presence of multiple-line £500 jackpot machines on its estate. This consultation may result in legislative reform to clarify the law and remove the machines as unlawful, or to regularise their continued deployment.</p>
<p>Continued upgrades for the GSC's IT system</p> <p>The GSC's IT system, ATLAS, continues to receive upgrades. The upgrade planned for this reporting year seeks to integrate the ATLAS functionality with a records management system that will allow paper documentation to be scanned and converted to electronic records for use in the system.</p>

Appendix 4

4A - Gambling Legislation

Pool Betting (Isle of Man) Act 1961

Legalised Pool betting and imposed a pool betting duty - Treasury responsibility.

Pool Betting (Isle of Man) Act 1965

Amended the way that Pools betting duty is calculated – Treasury responsibility.

Pool Betting (Isle of Man) Act 1970

Treasury responsibility prescribes matters relating to the recovery of Pools duty.

Betting Act 1970

Prescribes the general betting duty for different types of betting - Treasury responsibility.

Gaming (Amendment) Act 1984

The Gaming (Amendment) Act 1984 controls the keeping for use and the sale and supply of certain amusement machines.

Regulations made and in force under this Act:

- Controlled Machines Regulations 1985
- Certification of Premises (Application Fees) Order 2003
- Controlled Machines (Suppliers Licences) (Fees) Order 2003
- Controlled Machines (Exemption) Order 2008

Casino Act 1986

The Casino Act makes provision for the Isle of Man to licence a maximum of 2 land based Casinos.

Regulations made and in force under this Act:

- Casino (Licence Applications) Regulations 1986
- Casino Regulations 2011
- Casino (Temporary Premises) Regulations 2013
- Casino Act 2018

Gaming, Betting and Lotteries Act 1988

The Gaming, Betting and Lotteries Act 1988

1. defines gaming, the restrictions on certain gaming and gaming exemptions under the Act.
2. sets out general restrictions on betting and provides for Licensed Betting Offices.
3. places restrictions on lotteries and prescribes conditions which allow for certain lotteries to be operated.

Regulations made and in force under this Act:

- Bingo Nights (Prescribed Conditions) Regulations 2010
- Racing Nights (Prescribed Conditions) Regulations 2010
- Society Lottery Advertisements Regulations 2011

Public Lotteries (Amendment) Act 1993

Treasury responsibility – to permit more than one public lottery in one year and to permit the sale of tickets or chances at any time of the year. In addition, it provides for the proceeds of the public lotteries to be paid to the Public Lottery Trust or such other charitable purposes as may be specified.

Gaming, Betting and Lotteries (Amendment) Act 1996

Makes amendments to the main Act.

National Lottery Act 1999

Treasury responsibility – to enable the application to the Island of the National Lottery Act 1993 and to amend legislation relating to lotteries.

Gaming, Betting and Lotteries (Amendment) Act 2001

Makes amendments to the main Act.

Betting Offices Act 2001

Amended the Gaming, Betting and Lotteries Act 1988 to Licensed Betting Offices

Online Gambling Regulation Act 2001

The Online Gambling Regulation Act 2001 (OGRA) was introduced to provide for the regulation of certain forms of gambling carried on by means of telecommunications.

Regulations made and in force under this Act:

- Online Gambling (Advertising) Regulations 2007
- Online Gambling (Prescribed Descriptions) Regulations 2007
- Online Gambling (Systems Verification) (No.2) Regulations 2007
- Online Gambling (Transitional Arrangements) Regulations 2007
- Online Gambling (Betting and Miscellaneous Provisions) Regulations 2007
- Online Gambling (Disaster Recovery) (No.2) Regulations 2007
- Online Gambling Duty Regulations 2008
- Online Gambling (Registration and Accounts) Regulations 2008
- Online Gambling (Licence Fees) Regulations 2009
- Online Gambling (Exclusions) Regulations 2010
- Online Gambling (Participants' Money) Regulations 2010
- Online Gambling (Network Services) Regulations 2011
- Online Gambling (Registration and Accounts) (Amendment) Regulations 2014
- Online Gambling (Exclusions) (Amendment) Regulations 2014

- Online Gambling (Participants' Money) (Amendment) Regulations 2010
- Online Gambling (Software Supplier Licensing) Regulations 2019

The Gambling (Amendment) Act 2006

- outlines the licensing objectives.
- renames the Gambling Supervision Commission and restates its constitution.
- provides for an appeals Tribunal.
- amends other Gambling Acts.

Gambling Supervision Act 2010

The Gambling Supervision Act 2010 makes further provisions:

- for the status, consultation and functions of the Gambling Supervision Commission.
- concerning appeals from the Commission.
- to amend the Online Gambling Regulation Act 2001

Regulations made and in force under this Act:

- Gambling Supervision (Permitted Disclosures) Order 2010

Anti-Money Laundering Code

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

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

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

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

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

4B – Medicinal Cannabis Legislation

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

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

Transfer of Functions (Cannabis) Order 2020

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

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

Misuse of Drugs Act 1976

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

The Misuse of Drugs Regulations 2001 (SI 20001/3998)

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

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

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

The Misuse of Drugs (Cannabis) Regulations 2020

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

The Misuse of Drugs (Cannabis Licences) (Data Processing) Regulations 2022

These regulations create an inventory of the personal data the GSC may acquire from applicants for cannabis licences. The classes of person that the GSC can acquire data from and the standards of diligence checks that it may conduct are prescribed. Likewise, the classes of people and organisations with whom such data may be shared, and the reasons for sharing in each case are also explicitly declared.

9. Appendix 5 – Risks for 2022/2023 and beyond

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

The risk table for the 2022/23 year remains similar to that of the previous year, although the order has changed to reflect the treatment of some risks, and there is a new risk to reflect the inevitable consequences of the pandemic, which he have to hope will not recur in the post-vaccine regime.

Risks targeted for monitoring or treatment by the GSC for the current year (2022/2023)	
Risk ranking	Risk details
1	<p>Serious harms arising to members of the public as a result of gambling.</p> <p>Status: active risk (has occurred in other jurisdictions) Treatment:</p> <ol style="list-style-type: none"> 1) e-Gaming Strategic Board project commissioned to unify the stakeholders, and thereby the approach to the issue using evidence and academic input; 2) GSC to consider whether there are any meaningful improvements to legislation that it can unilaterally introduce; 3) GSC to await capacity in other multi-agency stakeholders.
2	<p>Licensee numbers outstripping the resource to manage them, creating one of two risks:</p> <ul style="list-style-type: none"> - Restriction of incoming business; or - Inability to maintain frequency and intensity of supervision, creating reputational and consumer risk. <p>Status: active risk (near-miss has occurred - accommodation) Treatment :</p> <ol style="list-style-type: none"> 1) divide teams into specialisms to obtain efficiency from division of labour; 2) recruit additional staff to keep pace with licence numbers; and obtain accommodation for same
3	<p>Enforcement capacity: A supervision backlog was created by Covid19 lockdowns. The inspections team has now been bolstered and inspection activity is catching up with the preferred schedule. However, as inspections begin to report their findings, there is a limit to the capacity to enforce compliance with requirements.</p> <p>Treatment:</p> <ol style="list-style-type: none"> 1) Add specialist resource to allow dedicated enforcement actions to take place without diverting inspection resource from supervision. 2) Consider the implications for inspections if an enforcement case arises, which diverts time and expertise from inspections.
4	<p>GSC fails to exclude criminal elements from licensing and a licensee becomes owned, captured or influenced by criminals.</p> <p>Status: active risk (has occurred in other jurisdictions) Treatment : monitor</p>

5	<p>Fully trained staff moving to the private sector, creating an overhead in recruitment and leaving the GSC with less aggregate experience in the application of regulation.</p> <p>Status: This risk is exacerbated by the GSC's increased ability to inspect and enforce, which creates private sector demand for personnel who understand the GSC's requirements.</p> <p>Treatment : Not identified</p>
---	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------