



 **mga** MALTA GAMING
AUTHORITY

ANNUAL REPORT 2019

A message from the Chief Executive Officer

I am delighted to introduce the Annual Report of the Malta Gaming Authority for 2019. It has been a challenging but fruitful year for the Authority, being the first full year following the coming into force of the new Gaming Act in 2018, which was also brought into effect for land-based operators in January 2019, and also the first year following the transposition of the EU's 4th Anti-Money Laundering Directive into Maltese law. Both these projects have shaped our efforts in 2019, where we intensified our work in compliance and enforcement with a particular focus on anti-money laundering and responsible gambling.

Structure and Governance

In 2019, a great focus was placed on ensuring that the Authority's governance and structure reflected the increased focus on compliance and enforcement. More resources were, in fact, added to compliance, with the scope of implementing more effectively the risk-based approach towards regulation. This also led to the amalgamation of the Anti-Money Laundering and Investigations Units respectively, being moved under the Compliance Department, with the aim of forming a more effective prudential and ongoing supervision team, one that has holistic oversight over the Authority's licensees.

The enforcement function also underwent a restructuring throughout this year and is now forming part of the Legal and Enforcement Department. This was a move that consolidated the Authority's efforts towards ensuring that enforcement action and the processes related thereto are proportionate and effective in achieving their aim of ensuring compliance with the regulatory instruments governing the sector and educating licensees on what level of conduct is expected from them as a regulated business.

These organisational changes were instrumental in consolidating the Malta Gaming Authority's resolve on this front and were complemented by continued improvements in the Authority's internal governance through the formation of the Compliance and Enforcement Committee, tasked with ensuring consistency in the enforcement measures that are meted out to non-compliant licensees, in line with the Guiding Principles for the Application of Enforcement Measures.

As with other internal committees, this Committee is aimed at continuing to increase the checks and balances on the exercise of discretionary power by the Authority and ensure the utmost transparency in the workings of the Authority.

The year 2019 also saw the launch of the Malta Gaming Authority's Enforcement Register on the website, where all enforcement measures that are made public are easily accessible, ensuring that when enforcement measures are such that the public ought to know that they have been resorted to, these are easily accessible and available on the Register.

Another key milestone in 2019 aimed at preventing crime and ensuring the fairness of the games being offered through our licensed entities, was the creation of the Authority's Sports Integrity Unit in August, tasked with increasing the focus on the fight against the manipulation of sports competitions. Through this Unit, the Authority is now able to gather intelligence and information related to suspicious betting activity and serve as a liaison with local and foreign regulatory bodies, enforcement agencies, betting monitoring systems, sporting organisations, and gaming operators, with the aim of providing assistance to local and international investigations on match-fixing. Through this Unit, the Malta Gaming Authority has been very active, and in 2019, it already signed two very important collaboration agreements, one with the Malta Football Association and the other with the International Betting Integrity Association, underlining the determination of all parties involved to tackle betting-related corruption and ensure the integrity of sports. These two agreements paved the way for further collaboration at a local and international level throughout the following months.

Strengthening National and International Collaboration

Sports integrity was not the only area with a strong focus on increasing collaboration with other stakeholders. In line with its objective to keep gaming free from crime, the Malta Gaming Authority strengthened its already good relationship with the Malta Police Force, through the signing of a formal Memorandum of Understanding aimed at improving the efficacy of their cooperation and exchange of information. Through this, the Authority and the Malta Police Force consolidated their collaboration in investigating and punishing illegal gaming activities, ensuring that they work hand in hand and use both entities' resources in the most effective manner to achieve this objective. For the same purpose, the Authority also revised its Memorandum of Understanding with the Financial Intelligence Analysis Unit, with a view to consolidating the joint supervisory role it has when conducting inspections of obliged entities and vetting individuals subject to the 4th Anti-Money Laundering Directive.

International collaboration was similarly high on the agenda in 2019, and apart from the regular participation on various panels in a number of conferences and the active involvement within the Gaming Regulators European Forum, coupled with the regular participation at the International Association of Gaming Regulators, the Authority hosted a number of international delegations with the scope of sharing best practices and assisting new regulators in their journey to develop a holistic legal framework for the industry within their jurisdiction. In total, eight gaming regulators from different jurisdictions were hosted at the Authority's offices in 2019, and collaboration is ongoing on many fronts to varying extents with the different jurisdictions.



Responsible Gambling

In 2019, the Malta Gaming Authority initiated a complete review of the effectiveness of the provisions contained in the Player Protection Directive and sought international professional assistance in order to strengthen the policies surrounding the protection of players, with the scope of continuously revising such provisions in order to ensure the best possible safeguards. Moreover, as part of the ongoing supervision of licensees, in 2019, the Authority also started undertaking ad hoc responsible gambling audits, tailored specifically to the licensee being audited. These audits have so far proved an effective means of ensuring the effectiveness of the safeguards required by law as implemented by that specific licensee, and they continue to better inform the Authority on the measures it needs to take to achieve its objective of protecting vulnerable persons.

In the past year, we also renewed our commitment to funding the Responsible Gaming Foundation, tasked with raising awareness on the possible causes and consequences of problem gambling, as well as providing support to vulnerable players and their families. Also in 2019, the Malta Gaming Authority took an active part and hosted the final session of the Responsible Gambling Week held in Malta. This conference, which included various industry stakeholders, had the objective of highlighting the importance that gambling remains a sustainable means of entertainment, with gaming operators providing all the tools required for players to play in a safe and responsible manner. The topics discussed included research in responsible gambling, suicide awareness, and prevention training, amongst other areas.

Conclusion

Overall, 2019 was a very challenging, but at the same time, rewarding year for the Authority. The focus on consolidation and the implementation of the Gaming Act, which came into force earlier in 2018, has yielded the desired outcomes and enabled the Authority to channel its resources where it mattered most. The increased focus on compliance and enforcement seen in 2019 will keep growing in the next years, as the Authority keeps international collaboration high on the agenda as a key determining factor in the ongoing fight against crime, corruption, and money laundering on a local and international level.

These guiding milestones have also contributed towards the formulation of our Corporate Strategy document, setting out the Malta Gaming Authority's roadmap for the period 2020–22 and serving as the baseline for progress monitoring for the coming years. Needless to say, this roadmap will now need to take into consideration the impacts of the unexpected COVID-19 pandemic, which is set to shape the world economy for the foreseeable future; therefore, inevitably impacting the gaming sector. Already, the emphasis on the protection of vulnerable players has taken on an even greater importance with the disruption of everyday life and the financial uncertainty that many people are experiencing. At the same time, the pressures of operational costs are being felt ever more strongly by the industry, which has to adapt to the new reality. The Authority's efforts in ensuring not only that regulated operators are compliant and responsible throughout, but also that unregulated operators that endanger the general public and generate illicit proceeds are not allowed to operate, will continue to be topmost priorities.

In conclusion, 2019 was my second year as the Malta Gaming Authority's Chief Executive, and I would like to thank the whole team at the Authority for their relentless efforts and ongoing commitment towards making 2019 such an important year. Without their passion and dedication, coupled with ongoing consultation with the industry and other key stakeholders, we would not have been able to accomplish so much. A lot was achieved together as a team, and I am looking forward to continuing this work together for the Authority to continue delivering on its objectives.



Heathcliff Farrugia
Chief Executive Officer





Introduction

The Malta Gaming Authority (MGA/Authority) is the regulatory body responsible for the governance and supervision of all gaming activities in, and from, Malta. The Authority oversees within its jurisdiction the provision of fair, responsible, safe, and secure gaming services, with particular emphasis on the prevention of crime, fraud, and money laundering, together with the protection of minors and vulnerable persons.

THE AUTHORITY'S KEY FUNCTIONS INCLUDE:

- regulating gaming;
- supervising licensees and overseeing gaming operations;
- ensuring fitness and properness of individuals and companies in possession of a licence issued by the MGA;
- ongoing monitoring and ensuring licensees are in compliance with the laws and regulations;
- acting as a supervisory Authority in accordance with the Prevention of Money Laundering and Funding of Terrorism Regulations;
- assessing licence applications and issuing approvals in line with the MGA requirements;
- supporting and investigating player complaints;
- advising the Government on new developments and risks in the sector; and
- submitting legislative proposals to address changes within the sector.

It is the MGA's mission to regulate competently the various sectors of the gaming industry that fall under the Authority by ensuring that gaming is fair and transparent to the players, by preventing crime, corruption, and money laundering and by protecting minor and vulnerable players.

THE AUTHORITY'S VISION IS TO:

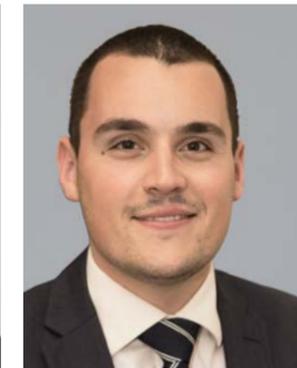
- sustain Malta's position as one of the most reputable jurisdictions in the gaming industry;
- raise standards within the gaming sector globally to make gaming fairer and safer, protecting the interests of consumers;
- ensure gaming is kept free from crime by intensifying international collaboration efforts; and
- adapt Malta's gaming regulatory framework to evolving market needs, aiming for excellence.

The Board of Governors

The Board of Governors is primarily responsible for overseeing the strategic development of the Authority and ensuring that the policy and strategic objectives set out are attained. The Board is also responsible for policy development and overall risk management. It is consulted by the Government on policy matters.



HEATHCLIFF FARRUGIA
CHAIRMAN (ACTING)



RYAN C. PACE
DEPUTY CHAIRPERSON



ROBERTO FRANCALANZA
BOARD MEMBER



CAESAR GRECH
BOARD MEMBER



**JULIANA SCERRI
FERRANTE**
BOARD MEMBER



**RUTH TRAPANI
GALEA FERIOL**
BOARD MEMBER



ADRIAN CARUANA
BOARD SECRETARY



The Corporate Structure



The Executive Committee

The Executive Committee is primarily responsible for the execution of the Authority's overall strategic vision, as directed by the Board of Governors. It is responsible for the day-to-day operation and management functions of the MGA, as well as the implementation of the Authority's programmes and policies.



HEATHCLIFF FARRUGIA
CHIEF EXECUTIVE OFFICER



CARL BRINCAT
CHIEF OFFICER - LEGAL & ENFORCEMENT



KARL BRINCAT PELOW
CHIEF OFFICER - AUTHORISATIONS



REBEKAH DUCA
CHIEF OFFICER - COMPLIANCE



JASON FARRUGIA
CHIEF OFFICER - TECHNOLOGY



CHRISTOPHER FORMOSA
CHIEF OFFICER - OPERATIONS



MICHELE MAGRO
CHIEF OFFICER - INTERNATIONAL AFFAIRS & POLICY



PETER SPITERI
CHIEF OFFICER - FINANCE & PROGRAMME MANAGEMENT



ANTIOPHI VOGIATZIS
CHIEF OFFICER - RISK



The Authority's Council and Committees

The Supervisory Council

The main scope of the Supervisory Council is that of ensuring the proper functioning of the various regulatory branches of the Authority, with an emphasis on a coordinated and consistent approach towards regulatory policy. The Council is comprised of members from various Directorates within the Authority, namely the Authorisations, Enforcement, Legal, Policy, Risk, Compliance, Anti-Money Laundering (AML), and Regulatory Supervision Units.

The Council is tasked with providing oversight and guidance in relation to strategic regulation and ongoing regulatory issues, whilst acting as an advisory committee to the Authority's Board and Executive Committee. In addition to the above, it proactively addresses critical and sensitive matters which warrant further internal discussion. Such pending matters are discussed and decided upon during Council meetings, which are held once every fortnight.

During the period under review, the Council's work involved discussing and deciding on matters of policy and procedure in regulatory affairs, supervisory and enforcement objectives, as well as applications subject to review due to a specific element of risk. Throughout 2019, the Supervisory Council was summoned 17 times to discuss regulatory policies around a number of areas, such as requirements around whom entities in possession of a critical supply licence may provide their services to and the licensability of specific business models. The standards around payment and financial institutions used by licensees, as well as discussions around specific processes of the MGA, were also discussed. The Council is also tasked with reviewing applications for new licences, or variations to existing licences when these meet certain risk thresholds. Fourteen such licence applications were reviewed during 2019, of which three were rejected, four were sent for further clarifications, and seven were approved, often subject to the conditions that need to be fulfilled.

The Audit and Risk Committee

Throughout 2019, the Audit and Risk Committee supported and assisted the MGA's Board of Governors in its oversight responsibilities regarding the Authority's governance, risk management, and internal control mechanisms. The duties and requirements of the Audit and Risk Committee are established by the Audit Committee charter.



During the year under review, the said Committee was also responsible for the management and supervision of the internal audit function, the aim of which is to provide internal assurance and advice in an independent and objective manner. It was designed to add value as well as improve the overall operations of the MGA. To this end, the internal audit function within the Authority is an independent internal support area that provides assurance and advice on the way the MGA is operating and achieving its objectives, thus ensuring that good corporate governance, effective risk management, and adequate control processes are in place and functioning.

During 2019, the Internal Audit Team implemented a number of recommendations made by the Central Harmonisation Unit of the Internal Audit and Investigations Directorate (IAID), following a Quality Assurance Review conducted in 2018. This assessment had concluded that the Authority's internal audit function generally conforms with the Internal Professional Practices Framework (IPPF) of the International Institute of Internal Auditors.

Throughout 2019, the Internal Audit Team also developed an independent Audit and Risk Universe, which is a database of all auditable processes of the Authority. The risk of every process listed in this database is also regularly evaluated autonomously by the IAID based on a number of relevant criteria. This mechanism ensures that the internal audit function of the MGA adopts a risk-based approach in its work, focusing its resources on the higher risk processes. This is also reflected in the strategic and annual operational internal audit plans, which are approved by the Audit and Risk Committee.

The Commercial Communications Committee

The Commercial Communications Committee reviews any published, promoted, or advertised commercial communication that is submitted by the public to the Authority. Any commercial communications are discussed during the Committee meetings and, if required, result in formal notifications that are issued to authorised persons, in line with the applicable regulations. Subsequently, commercial communications that are deemed not in conformity with the applicable regulations are flagged to the Enforcement Directorate for necessary actions.

In August of 2019, the Commercial Communications Committee issued and published the Commercial Communications Guidelines as part of the MGA's mission of placing player protection and responsible gambling on top of its regulatory agenda. These Guidelines provide practical instructions to any person offering licensable games and to those who collaborate or provide any service, including any marketing or promotional service, to or on behalf of such persons. The Guidelines are intended to assist with the interpretation of the Commercial Communications Regulations and should not be considered as a substitute for the relevant laws and regulations. They neither constitute new rules nor bind the Authority or the Committee in the way that they will decide upon any commercial communication complaint.

Furthermore, all decisions taken by the Committee following the determination of breaches are listed on the MGA's website to serve as a point of reference to all relevant stakeholders. During the period under review, 17 decisions were taken by the Commercial Communications Committee, varying from breaches in commercial communication in a magazine, breaches of promotional material in an online news article or event, as well as breaches in commercial communication on social media or in a public place.

The Compliance and Enforcement Committee

In July 2019, the Authority set up a Compliance and Enforcement Committee (previously known as the Defaulter's Committee), which is responsible for evaluating breaches of Chapter 583 of the Laws of Malta, hereinafter the Gaming Act, and any regulatory instrument issued thereunder. Such breaches are escalated to the attention of the Committee by the Compliance and Legal and Enforcement Directorates after gathering knowledge from various MGA departments. The Committee is composed of seven members, pertaining to different Directorates of the Authority.

During 2019, a total of 40 cases were evaluated by the Committee. The enforcement measures imposed on authorised persons varied from warnings to fines and licence cancellations. Seven fines, seven warnings and eight licences were given during 2019 following Committee's decision. Such enforcement measures are imposed by the Committee in light of breaches committed by authorised persons, which include, but are not limited to, the failure of the authorised person to adhere to reporting obligations, the failure to effect payment of amounts due to the Authority within the specified time period, and the failure to comply with requests made by the Authority.



The Compliance and Enforcement Committee also oversaw the publication of the Guiding Principles for the Application of Enforcement Measures in November 2019. These principles were presented to shed light on how the MGA exercises the discretion afforded to it by law when it comes to the selection of the nature and scope of enforcement measures when a breach of law is committed. The contents of these Guiding Principles are especially noteworthy to authorised persons, as they lay out the actions which the Committee gives particular importance to when evaluating a breach escalated by the Compliance and Legal and Enforcement Directorates in a non-exhaustive manner.

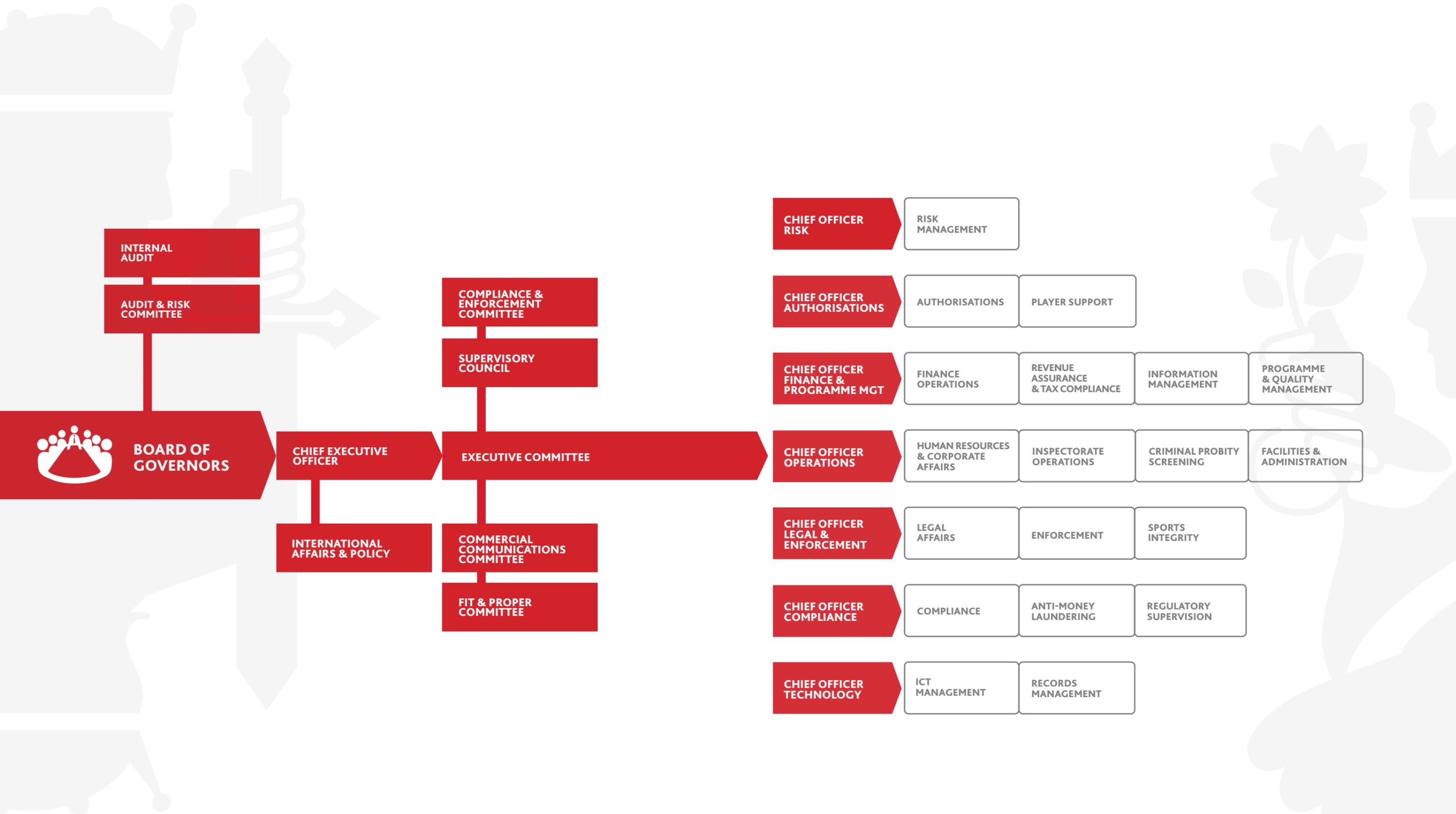


The Fit and Proper Committee

The Fit and Proper Committee is entrusted with evaluating and deciding whether the individuals and entities that are applying for or are already in possession of an MGA licence satisfy the requirement of being fit and proper to hold such a licence. Complex matters are referred to for the consideration of the Committee, to ensure uniformity and consistency in decision-making. The Committee has a significant track record, having now convened on more than 80 occasions since its formulation in August 2016.

In 2019, this Fit and Proper Committee convened 35 times, wherein a total of 202 decisions were taken. Out of these decisions, 15 pertained to the refusal of individuals and companies due to them being assessed as not fit and proper. Of these 15 decisions, 12 were taken on the basis of mitigating the risks of money laundering or funding of terrorism. In addition, 87 decisions pertained to instances wherein the Committee felt that the Authority ought to request further documentation and/or declarations from the applicant or licensee prior to deciding on their fit and proper status, for the sake of ensuring their integrity and reputability.

The Organisational Structure



The Functions of the Directorates

The **CEO's Office** is primarily responsible for the implementation of the strategic vision of the Authority and for directing the overall management and operations of the various directorates within the MGA.

The **Authorisations Directorate** is responsible for the onboarding process of new operators and applicants, resulting in the issuance of the relevant gaming licenses or key functions, Recognition Notices, and Material Gaming Supply Certificates, as well as the renewal of existing gaming licences and certificates. The team also receives and reviews other authorisation requests and notifications, such as changes to any key functions and changes to the key technical setup and essential components, games and game verticals, and other information. It also reports any requirements emanating from the regulations. The Directorate, through its Player Support Unit, is also responsible for the protection of players by handling any requests for assistance received and ensuring that operators are compliant to their obligations at law.

The main focus of the **Compliance Directorate** is to ensure that both online and land-based licensees are compliant with the stipulated licence conditions, the relevant legislative framework, as well as other regulatory instruments. In addition, the compliance function is also responsible for the execution of compliance and system audits and the review of the Monthly Player Funds Reports and financial statements as submitted by the licensees. The Directorate extends its supervision functions by ensuring compliance with AML regulations and carrying out investigations on reported or identified gaming operations performed to, or from, Malta, or through a Maltese legal entity, without having the necessary authorisations.

The **Finance and Programme Management Directorate** encompasses three main functions, which provide cross-cutting support to the Authority. The finance function is primarily responsible for the collection of compliance contribution, licence fees, and other administrative fees due to the Authority by the licensees, which is done by the

Revenue Assurance and Tax Compliance Team. In addition, the Finance Operations Team provides general corporate finance support through the team concerned with finance operations. The latter is responsible for financial accounting, planning and control, in conjunction with the preparation of management accounts and reporting. The Directorate also encompasses a Programme Management Team, which ensures the execution of projects that enable the organisation to future-proof itself and meet arising challenges. At the same time, the Quality Management Team ensures that all Directorates produce quality output, with the aim of improving their performance and efficiencies, resulting in improved regulation and service to the operators. The other support function within this Directorate is the information management function, which provides strategic information to various elements of the Authority. The Information Management Team is responsible for the planned and systematic collection of data from online and land-based licensed operators and other reliable sources, which enables the Authority to understand the dynamics of the market better and provide the necessary support to the decision-making processes.

The **Legal and Enforcement Directorate** has the function of providing advice on matters relating to the legislative framework concerning the gaming sector, general legal affairs, and dispute resolution. It is also responsible for taking effective actions on licensees that are in breach of the relevant laws and regulations regulating the gambling activities that are licensed by the Authority. The Directorate liaises with the Malta Police Force, Courts of Malta, Office of the Attorney General, and other foreign reputable agencies, in order to further assist the prosecution of criminal offences. In addition, the Directorate is also responsible for the Sports Integrity Unit of the Authority, which gathers intelligence and information relating to suspicious betting and serves as a liaison between local and foreign regulatory authorities, law enforcement agencies, betting monitoring systems, sporting bodies, and gaming operators in order to investigate irregular and suspicious betting activity.

The **Operations Directorate** is composed of various support functions. One of the teams within this Directorate conducts criminal probity screening at the stage where an application for a gaming licence or certificate is made and whenever necessary thereafter. Such tests provide for the identification, verification, and investigation of all natural and legal persons involved with the prospective licence and in so far as criminal probity screening is concerned. Another team carries out inspections in the land-based outlets, oversees the live draws of the National Lottery operator's games, and assists the Malta Police Force in any inspections in relation to illegal gaming activities. Another set of functions that this Directorate is responsible for concern the overall day-to-day operations of the Authority. One of its primary responsibilities is the human resources function, which ensures that employees work in a healthy environment that promotes both their personal and professional development by sustaining its investment in the employees through several training programmes aimed at enhancing both technical knowledge and personal development. The Directorate is also responsible for the MGA's Corporate Affairs strategy through effective internal and external communications, which continue to strengthen the Authority's relationship with the industry. The Operations Team is also responsible for the management of facilities, health and safety, and security.

The **Risk Directorate** is responsible for the centralised risk management function of the Authority by developing and implementing a risk management framework that allows for the identification, assessment, monitoring, and reporting of risks to which the Authority is or could potentially be exposed to and which may affect its operations. This ensures that the Authority is able to identify the risks and manage them before they even affect its business.

The **Technology Directorate** is responsible for designing, maintaining, and supporting the Authority's information technology infrastructure by providing ICT security and infrastructure, software development, and any related support, as well as managing data and records.

The Authority encompasses an **international affairs and policy function**. The International Affairs Team manages the Authority's relationship with its foreign and international counterparts, including information exchange and cooperation, and keeps up with developments in gambling regulation internationally. The role of the international affairs function includes advising the MGA, and by extension, the Government of Malta, of developments in this regard, and of risks and opportunities for the Authority and for Malta. Through monitoring developments in gambling law at an international level and holding various discussions with counterparts throughout the year, the international affairs function is also competent to advise the Authority, and Malta's policymakers on best practices in gambling regulation, and updates to Malta's own gambling regulatory regime. At the same time, the Policy Team performs horizon scanning on regulatory affairs for the MGA. It identifies areas requiring additional clarity or revision within the existing regulatory regime, including highlighting specific focus areas, such as responsible gambling, AML, new technologies, technical standards, taxation, advertising, sports integrity, data protection, and more.

The **internal audit function** within the Authority is entrusted with the development and implementation of the annual internal audit plans, audit reviews, and ad hoc investigations. This Directorate provides assurance and advice in an independent manner on the way the Authority operates and achieves its objectives, thus ensuring that good corporate governance, effective risk management, and adequate control processes are in place and functioning.

1 STRATEGIC FOCUS: International Strategy

The Need for International Cooperation

Industry sectors with a transnational dimension are, by necessity, often subject to common international or regional rules and standards. Such laws might not be identical across jurisdictions; however, there is often a common denominator on how things are done. This is true for sectors such as banking, payments, and aviation, amongst others. Common approaches and standards are also set in the field of international cooperation in criminal law matters and in areas such as AML and terrorist financing, as well as sanctions screening. Over the years, various measures and systems have been adopted through international conventions and initiatives of entities, such as the European Union, the Council of Europe, Interpol, and the Financial Action Task Force, to facilitate international cooperation.

Gambling, on the other hand, was largely confined to state borders, until online gambling became the “disrupter” we know it to be today. Likewise, international regulatory cooperation and common standards in gambling have not been developed to the same extent as in other sectors. This makes the role of the International Affairs & Policy Directorate of the MGA even more challenging.

An effective and responsible regulator needs to look at its most basic objectives: the protection of consumers, the prevention of crime, and the minimisation of gambling-related harm. Consequently, it is all the more important that it constantly seeks better and more effective results to policies implemented, as well as be ready to accept change whenever it becomes necessary in an industry as fast-paced as online gambling. Therefore, a gambling regulator needs to have a horizon scanning function, and within the MGA, that responsibility falls unto the International Affairs & Policy Directorate. It is vital for a regulator to keep a finger on the pulse of the industry in order to understand which new developments, whether technological or market-related, might require timely regulatory intervention. In this context, international cooperation, including relationship-building with other regulators for the exchange of ideas, solutions, and best practices in the regulation of gambling activity, is crucial. By monitoring developments in gambling law at an

international level and holding discussions with counterparts, the MGA is in a position to advise the Government of Malta on best practices in gambling regulation, as well as provide necessary and timely updates to Malta’s own gambling regulatory regime on a variety of themes. These include responsible gambling, AML, new technologies, technical standards, taxation, advertising, sports integrity, and data protection.

The Online Gambling Conundrum

The manner in which the online gambling market has grown since the late 1990s, and the necessity for volume, means that online gambling operators are continuously looking to access new markets. In doing so, operators need to adhere to different regulations and regulators across each country they are active in, even within the European Union. Despite identical objectives, gambling laws around the world are not only dissimilar but also often conflicting. At times, such laws even contain provisions which prohibit the possibility of having international offers, as is the case with regimes that close off player liquidity in peer-to-peer games and jackpots.

Much has already been said about the inefficiency brought about by the situation. The consequences would be a dramatic increase in compliance costs for operators, brought about by increased work and no added value to the consumers. On the other hand, one can consider an opposite scenario where an unregulated business that provides services worldwide can easily be set up within an online industry with minimal costs in hard-to-reach jurisdictions. The repercussions would include the failure of channelling traffic to regulated business. This can be explained by the fact that a regulated product would naturally be inferior and less attractive to one that is offered on the black market. Such unregulated business leads to the detriment of consumers playing on regulated websites, operators who comply with the law, and likewise, regulators, policymakers, and the taxmen.

It is in this respect that the MGA’s international strategy has been to push for increased cooperation and common standards, notwithstanding the “soft” nature of the initiatives

that can be taken in a legal and political environment that is, at this stage, fragmented. Amongst the initiatives, one may note the good work performed by the European Commission and its Expert Group of regulators, hosted between 2012 and 2018. This includes the Commission’s work Recommendation on Principles for the Protection of Consumers and Players of Online Gambling Services and the Prevention of Minors from Gambling, which was conducted in 2014. Whilst this Recommendation has no legally binding effect, the fact that there are baseline standards that States may refer to when establishing their own regulatory framework for online gambling is a great first step leading to uniform consumer protection. The MGA implemented the Recommendation following a review of its legislation in 2018 and is still undergoing efforts to ensure that the framework caters for maximum player protection.

Another initiative in this regard is a request by the European Commission to the European Committee for Standardization (CEN) to create a voluntary European standard on reporting in support of supervision of online gambling services. Malta has been especially active in the technical group meetings for the creation of this standard, as it coincides with its own automated reporting project, the Enhanced Automated Reporting Platform (EARP). In this regard, an operator’s systems need to be designed specifically in order to generate reports and data mandated by the regulator. Additionally, an industry standard dataset would be an ideal tool to help operators design back-end systems that would be compatible with the reporting requirements of at least a good number of member states.

Ways to Cooperate

The absence of the Expert Group on Gambling Services following the non-renewal of its mandate and the de-prioritisation of the gambling file by the European

Commission has been profoundly felt by gambling regulators within the EU, especially due to the lack of an entity that brings everyone together beneath the same roof to discuss matters. This was also due to a lack of a communication channel with the European authorities when it comes to the implementation of EU legislation that impacts gambling business, such as the General Data Protection Regulation (GDPR), matters related to the proposed ePrivacy Directive, and further amendments to the Anti-Money Laundering Directive (AMLD), amongst other measures.

In this context, the MGA is required to put in an increased focus on the EU and its international affairs, by exploring bilateral relationships and developing a deeper involvement in related organisations, such as the Gambling Regulators European Forum (GREF), the International Association of Gaming Regulators (IAGR), and their working groups.

The 2015 Administrative Cooperation Arrangement, signed by the gambling regulatory authorities of most EU & EEA Member States, including Malta, has redefined the exchange of data between European regulators. However, the international characteristics in gambling do not stop at the EU’s borders, and there are numerous reasons why the MGA is also exploring relationships with counterparts from outside the EU.

Another way in which the MGA is trying to foster collaboration is by hosting workshops with counterpart regulators or foreign government representatives. The purpose is to share best practices and experiences while providing technical assistance in the form of presentations and study visits. These initiatives all feed into the vision that the gambling sector too can benefit from an acceptable level of regulatory convergence that could see efficient and effective regulation, as well as a seamless cooperation between regulators for the benefit of the consumers, policymakers, and industry alike.



2 STRATEGIC FOCUS: Quantifying the Responsible Gambling Market

The protection of consumers, especially minors and vulnerable persons, has always scored high on the MGA's regulatory agenda. Over the years, a considerable amount of effort has been undertaken to ensure that the Maltese legal framework is fine-tuned and enhanced to ensure that players remain protected when new products and innovative technologies are launched and that the mechanisms are strengthened, thus enabling players to gamble responsibly and limit the risk of gambling addiction as much as possible while, at the same time, identifying and supporting players who are considered to be most at risk.

To this end, in 2018, the new Gaming Act encompassed a Player Protection Directive, which builds on the requirements laid down in the Gaming Player Protection Regulations, and enhances consumer protection standards and responsible gambling measures, while promoting a risk-based approach towards regulation. Both legal instruments ensure that players remain in control of their gaming activity while gaming operators have the necessary measures in place as prescribed by law. The player protection legal framework sets out the exact information that gaming operators must disclose to players and the general terms and conditions of an operator's gaming service. It also contains provisions relating to specific games and promotional schemes, the promotion of responsible gambling and the prevention of harm, the protection of minors and vulnerable persons, as well as the protection of player funds.

One of the obligations laid out in the Player Protection Directive stipulates that all operators, be it online or land-based, shall offer the possibility to players to self-exclude themselves from any gambling activity for a definite or an indefinite time. The self-exclusion programme is one of the interventions aimed at minimising the negative impacts of gambling; it can play an important role in the recovery process of affected individuals.

Number of Land-Based Self-Exclusion Requests	6 Months	12 Months	Indefinite	Total
2019	780	819	3	1,602

Number of Self-Exclusion Requests

The Land-Based Sector

Land-based operators are connected to a unified self-exclusion database hosted by the MGA. The self-exclusion facility enables players to exclude themselves from gambling for an indefinite or definite period. Players who avail themselves of the self-exclusion programme provide their details, which are then inputted into this centralised system, thus ensuring that any requested exclusion is implemented across land-based casinos, commercial bingo halls, and/or gaming parlours. Those players who opt to exclude themselves for a definite period of time, either six months or a full year, can re-engage into gambling activities upon expiry of the pre-set period. However, gamblers who opt for an indefinite exclusion can only revoke this if a medical certificate is presented, indicating that the person is no longer a compulsive gambler.

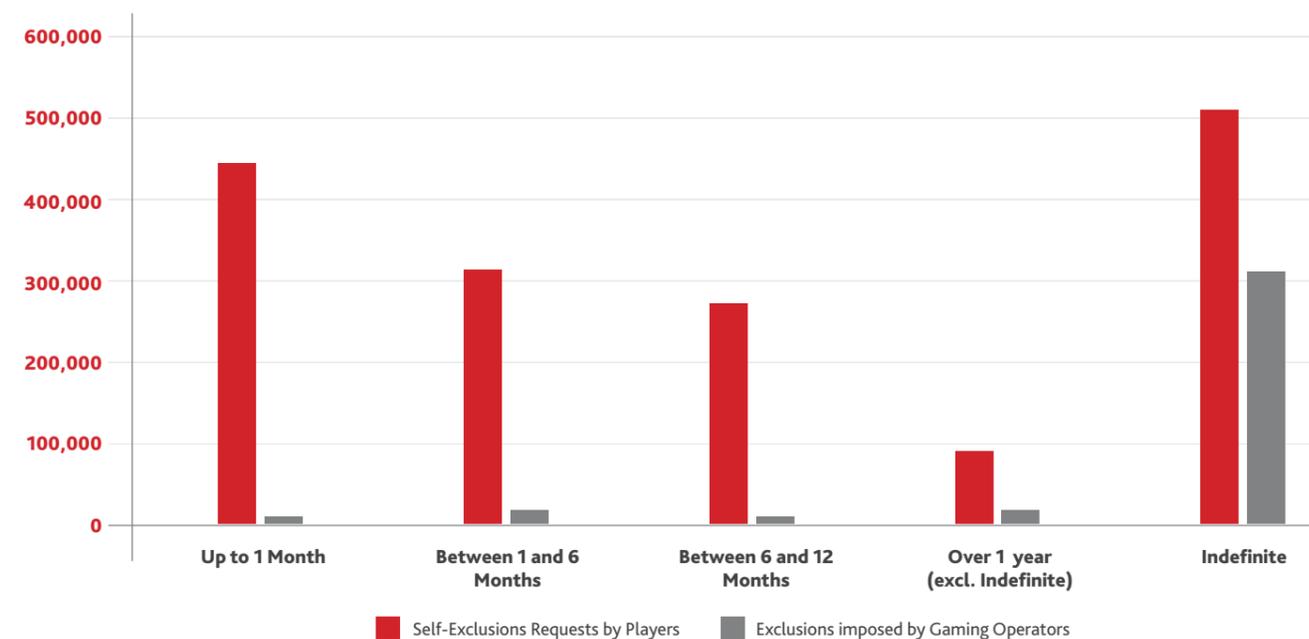
Throughout the 12-month period of 2019, a total of 1,602 gamblers submitted a request to be self-excluded from the land-based gambling outlets in Malta. This represents a 1% increase when compared to the number of self-exclusion requests made in 2018. Following the trend that had been reported for the previous years, the requests submitted during 2019 mostly included one-year and six-month exclusions at 49% and 51%, respectively. There were also three requests from gamblers to exclude themselves indefinitely.

The Online Gambling Sector

Apart from licensed land-based operators, the legislative framework also caters for responsible gambling measures for online gambling. To this end, all B2C licensees are obliged to have systems in place which offer online gamblers the possibility to self-exclude themselves for a definite or indefinite period.

Through the data collected by the MGA¹, it has been estimated that during 2019, the total number of self-exclusion requests (sign-ups) by players amounted to 1.6 million. While requests can be made by the players themselves, within the online gambling market there exists the possibility that exclusions are imposed on a player by the gaming operator itself, particularly in cases where there are sufficient reasons to indicate that the player may have gambling issues. During the period under review, such exclusions amounted to 0.4 million.

Both types of exclusion can be made for different periods of time. The following chart presents exclusions grouped into the following brackets: up to 1 month, between 1 and 6 months, between 6 and 12 months, over 1 year, and indefinite exclusions. It could be noted that while in the case of requests coming from players the highest number opted for an indefinite exclusion (31%), followed by the up to 1 month option (27%), the exclusions imposed by the operator were in their absolute majority (82%) for an indefinite period.



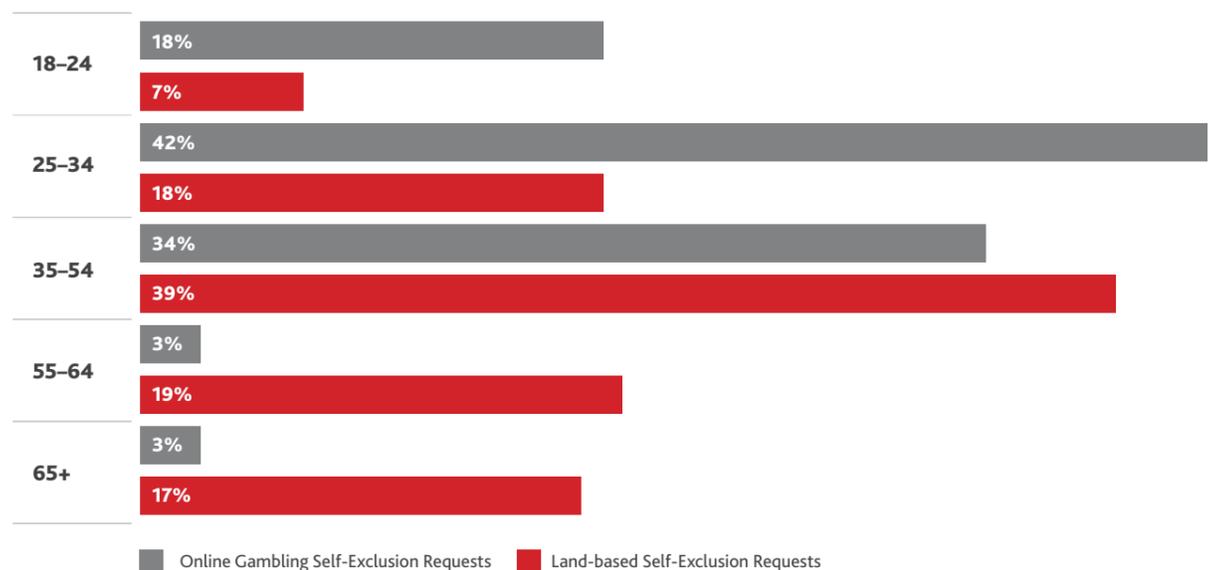
When comparing the behaviour of the self-excluded gamblers (players who requested their own exclusions), it is quite evident that online players and players at Maltese land-based outlets behave differently from each other. While more than one-third of the online players opted to self-exclude themselves for an indefinite period of time, players at local gaming outlets preferred to self-exclude themselves for either six months (49%) or 12 months (51%), while the number of indefinite exclusions was rather negligible.

Demographics of Self-Excluded Players

When considering the age distribution of self-excluded gamblers between January and December 2019, it could be noted that for the land-based sector, gamblers from the 35–54 age group registered the highest number of self-exclusion requests, accounting for 39% of all requests, while only 7% of these requests came from the youngest age group (18–24). The remaining requests came from the other remaining age group categories at very similar percentages, namely the 25–34, 55–64, and 65+ age brackets, with each registering 18%, 19%, and 17%, respectively.

¹ Industry Performance Return data collection exercises for the periods January–June 2019 and July–December 2019.

During the same period of 2019, the online sector presented a scenario where the exclusion requests, be it those coming from the players themselves or those imposed by the operator, were more concentrated among the younger age groups. Out of all the exclusion requests, 42% pertained to the 25–34 age group, followed by those within the 35–54 age category (34%), and the 18–24 age group (18%). The remaining 6% of exclusion requests pertained to those individuals aged 55+.



These results shed light on the distribution and preferences of players when it comes to choosing between online gambling and playing at a local land-based establishment. These results are in line with the general demographic data where online gambling is much more popular with individuals from the younger age groups, while land-based outlets are mostly frequented by older players.

In terms of gender distribution, in the case of both the land-based and the online gambling sectors, the self-exclusion requests were made predominately by males. Throughout the period under review, men submitted 75% of the requests for both the land-based and the online sector. Such data provide some general behavioural patterns in terms of the dominating gender in the gambling sector.



Reduction and Reversals of Self-Exclusion

The Player Protection Directive provides for the instances where players may request the reversal of the self-exclusion request that they would have made earlier, although B2C licensees shall not encourage players to do so.

During the period under review, it could be noted that only 7% of players approached operators to reverse their self-exclusion request. It should be noted that these exclude the instances where the self-exclusion was removed upon expiry of the exclusion term. Furthermore, the duration of an exclusion can only be decreased upon request of the relevant player. As at the end of December 2019, 38% of the B2C licensees offered players the possibility to reduce the self-exclusion period if they so request.

Additional Responsible Gambling Measures

In addition to the self-exclusion facility, which has been observed to be the last resort for a number of players, the Player Protection Directive established a framework of additional responsible gambling measures aimed at reducing gambling addiction and further protecting the player. To this end, all MGA licensed B2C operators are also obliged to offer players the ability to impose limits on their gaming activity, namely deposit and/or wager limits. In addition, B2C licensees may also offer players the possibility to set additional limits, including but not limited to, loss limits and time or session limits. Any limit set can only be amended or removed upon request of the relevant player or upon expiry of the set duration. These measures are intended to empower a player by granting them increased control over the amount of time or money spent on gambling.

Throughout the 12-month period of 2019, online players have set over 6.3 million limits covering the four different limit categories mentioned above. It could be noted that the absolute majority pertained to deposit limit, with 77% of the total limits set being assigned to this category. The remaining requests were split among the other categories.



Moreover, all player-facing MGA licensees must have a player protection policy aimed at promoting responsible gambling behaviour. These policies and procedures must indicate which employees initiate player interaction, examples of behaviour which would raise concern, the specific circumstances which would lead to a player being excluded by the operator, and the procedure to be followed in the event of an interaction with a player who is likely to be a problem gambler.

The MGA licensees are also obliged to offer means which allow players to self-assess whether they have a problem and must also be in a position to identify and detect problem gamblers. Operators are obliged to provide training to their client-facing staff in relation to this. Furthermore, every outlet or gaming website must include all the relevant information pertaining to organisations aimed at treating problem gamblers.

Numbers often speak by themselves, and the magnitude of the data relating to the Maltese licensed gambling market

place on the Authority a degree of responsibility to continue working towards a sustainable means of entertainment within the gaming industry, whereby gambling operators provide players with all the tools required to play in a safe and responsible manner.



3 STRATEGIC FOCUS: A Holistic Perspective for the Compliance Function

Compliance is considered to be one of the core functions within the Authority since no regulator can fulfil and exercise its supervisory function effectively without having a well-functioning compliance mechanism. Over the years, the Compliance Team has been dynamically reshaped to fit within the strategic intent of the Authority. Its purpose is to instil a culture of regulatory compliance among all its licensed operators, thus ensuring that any licensed gaming activity is adhering to the rules and regulations that govern this sector.

One of the latest developments within the regulatory sphere of the Authority was the incorporation of the AML and Investigations Team within the Compliance Directorate. The underlying intention of such a strategic move was that of ensuring that all compliance functions would be under the same directorate, thus providing a holistic view of the different aspects of the licence conditions as well as the licensees. The Authority is focusing on expanding the Compliance Teams even further, particularly by further resourcing the AML, Compliance, and Investigation Teams in the near future.

One area of focus for the Compliance Team to examine will be that of ensuring that operators are in line with the regulations, directives, and other regulatory instruments. This will be achieved by carrying out compliance audits on licensees that obtained an MGA licence in the previous year, as well as licensees that are deemed to be of higher risk. To take it a step further, the Compliance Team will be reviewing the Compliance Audit Manual. The aim is to split the audit into a number of differential audits, thus ensuring that several targeted audits can be carried out by following a risk-based approach. This can be done unless a full scope audit is required in view of the MGA's compliance plan. Such targeted audits would assist in elevating the burden of full compliance audits on the licensees, while still achieving the Authority's regulatory objective of risk-based prudential supervision. Such shorter but more focused audits would enable the Authority to carry out targeted audits on a greater number of licensees while ensuring that the operators are not burdened with excessive compliance costs.

In the context of the compliance goals that are planned for 2020, an important aspect of supervision is the escalation process of breach reports to the Legal and Enforcement Directorate. The Authority aims to continuously streamline internal processes in order to be in a better position to

escalate issues that might arise in a timely manner, as well as ensure that any measures taken provide the maximum safeguard in the players' interests, particularly in case of insolvency.

In 2018, the Authority issued the Gaming Player Protection Regulations and the Player Protection Directive, thereby emphasising the greater focus that the Authority is placing on responsible gambling. The Authority is committed to protecting minors and vulnerable individuals, as well as managing problem gamblers, both in the local market and online. These regulations and directive provided the Authority with the necessary legislative framework to initiate specific responsible gambling audits. Such targeted examinations started in 2019. It is the Authority's intention to focus on responsible gambling audits and, eventually, dedicate a specific team that would be solely responsible for such examinations.

Following the issuance of the EARP (Land-Based) Directive in the last quarter of 2019, the Authority's focus in the land-based market is the implementation of the obligations in relation to the new EARP tool within casinos and gaming parlours. It stipulates a transitory period of one year for the implementation of two key obligations. The latter pertain to a transitory period to generate the monthly reporting in the prescribed format and replace any electronic gaming machines (EGMs) that do not conform to the EARP standard. The Authority will utilise this transitory period to provide all necessary assistance to operators, both when it comes to the transmission of regulatory data to the Authority as well as the design of the reporting that the EARP will offer for further monitoring of such EGMs.

From an AML front, the team intends to carry on with the Anti-Money Laundering and Combating the Funding of Terrorism (AML/CFT) examinations as well as with the Money Laundering Relationship Officer (MLRO) interviews. These will continue to ensure a consistent approach towards the quality of MLROs engaged by gaming companies, deemed to be subject persons under the Prevention of Money Laundering and Funding of Terrorism Regulations (PMLFTR). These interviews encourage follow-ups and recommendations and thus, enable better standards, particularly on AML/CFT knowledge and responsibilities.

In addition, the AML Unit shall further extend its reach by assisting the Authority's Authorisations Directorate with the evaluation of business risk assessment, customer acceptance policies, and MLRO interviews at the onboarding stage. This will further increase controls at the onboarding stage from an AML/CFT obligations perspective. Moreover, the MGA plans to undertake further outreach campaigns in the form of training sessions, panel and forum discussions, and the dispatching of its key AML/CFT technical experts where necessary, with the main motive being to educate the sector

further on AML/CFT compliance, trends, and typologies. Finally, along with the Financial Intelligence Analysis Unit (FIAU), the AML Unit seeks to make more use of its available instruments and methodologies, such as off-site examinations, thematic reviews, supervisory meetings, and targeted AML examinations. The latter seek to target a particular AML/CFT component, depending on the evaluated risk. Such methodologies should evoke an enhanced risk-based approach and thus, induce more efficiency and focus on the most concerning components of licensees.

The Authority's overall aim is to widen its compliance efforts within this sphere by ensuring that the Maltese gaming licence is safeguarded and that any gaming activity is undertaken within the existing regulatory framework. When and where possible, the Authority intends to enhance the operational aspect of the Compliance Directorate even further.



4 STRATEGIC FOCUS: Our Approach to ● Enforcement

2018 saw the introduction of regulatory objectives set out in the law with the enactment of the new Gaming Act. This Act serves to delineate what the legislator requires the MGA, as the regulator of the gaming industry, to achieve. Enforcement is a regulatory priority on two fronts: enforcement measures to be taken in case of non-compliance by licensed operators and effective steps taken to investigate and stop illegal operations in, or from, Malta.

In this light, the powers and regulatory processes of the Authority now reflect the Authority's priorities more accurately. Regarding administrative matters, the Authority allowed the industry time for adjustment during the second half of 2018 and the first half of 2019, with the latter seeing enforcement measures that are more commensurate with the new regulatory objectives. The Guiding Principles for the

Application of Enforcement Measures were also published in late 2019. The intention was to provide further clarity when it comes to the matters which the MGA takes into consideration when exercising its enforcement powers in cases of non-compliance.

The Authority does not deem it desirable to use enforcement as the driver of compliance. However, the proportionate and effective use of the enforcement powers which the MGA is vested with is also fair towards compliant licensees. It is through compliant licensees that the Authority ensures that its regulatory objectives are achieved and that players are adequately protected.

The Authority is heavily prioritising action against unregulated operators, in light of the fact that these operators provide a service that is entirely unsupervised and unsafe for the end consumers.

In 2019, the Authority concluded a Memorandum of Understanding (MoU) with the Malta Police Force to further structure the collaboration between the two entities. This collaboration is an important pillar in the fight against unregulated operators, which has been and remains, a priority for both the MGA and the Police Force. The benefits of this collaboration have been seen in the form of the conclusion of investigations and enforcement against unregulated operators, both on a land-based and on an online front.

Proportionality and transparency are principles which the Authority prioritises in any action it takes. As a result, when taking regulatory action against a licensee, the MGA ensures that it acts in accordance with the principles of natural justice and gives such licensee adequate time for a response to the MGA's findings of non-compliance. Additionally, it also adopts an escalating enforcement plan, based on the general track record of the licensee in question. Depending on the nature and extent of the breach, the Authority's first port of call is normally to reprimand the licensee and guide them on the manner in which they should comply in future. This is in line with the end goal for regulatory action, which is to ensure compliance, rather than to act as a punitive measure. Naturally, when the breach committed is of a grave nature, proportionality would demand that more serious action is taken.

This escalating enforcement plan is also being implemented in relation to unregulated operators. The law provides the Authority with the power to offer a regulatory settlement for

breaches against the Gaming Act. This criminal sanction, if agreed to by the person in breach, is applied in lieu of criminal proceedings. The MGA exercises this power in relation to persons and entities that commit offences against the Gaming Act when the circumstances are such that this action is the most appropriate. Ignorance of the law is no excuse; however, oftentimes, when a first-time offender demonstrates that the offence was committed due to negligence rather than to willfully flout the law, the Authority will see fit to exercise this discretion and offer a regulatory settlement, focusing on ensuring that the offence has been rectified. However, should the Authority notice a particular offence as being very prevalent, it may decide to issue public notices to draw the industry's attention to its concerns. When this is done, the measures taken when dealing with offenders will naturally presume wilfulness rather than negligence and will escalate accordingly.

The Authority's plan going forward is to explain the rationale behind its enforcement strategy and the processes that are put in place in further detail so as to ensure that these are exercised in line with the principles outlined in the Act. It is also a priority to ascertain that the industry pays due attention to the regulatory objectives that the Authority is tasked with achieving, as these educate the MGA's priorities and all regulatory action.



5. STRATEGIC FOCUS: Employment in the Maltese Gaming Industry

Malta is a well-established hub for gaming companies and suppliers. Over time, the gaming sector has increased and sustained its contribution to the growth of the Maltese economy. The availability of sufficient levels of human capital possessing adequate knowledge, skills, and aptitudes are key to sustain the competitiveness of this industry now and in future. The extent and growth of the demand for human capital cannot be entirely satisfied through home-grown talent, and thus, the sector depends significantly on the attraction of workers from abroad.

A study conducted by the MGA² has estimated that as at the end of 2019, the total employment generated by activities in or associated with the gaming industry in Malta amounted to 11,747 full-time equivalent (FTE) jobs³, which is approximately 4.8% of the economy total. For the purposes of deriving this estimate, the gaming industry was defined to include:

Direct Employment

1. Employees in the online industry in Malta could be working on:
 - 1.1. activities licensed by the MGA, with MGA-licensed firms;
 - 1.2. activities licensed by another jurisdiction, with MGA-licensed firms;
 - 1.3. the provision of direct services to MGA-licensed firms while being employed by another associated/related company; and
 - 1.4. activities with a gaming company not licensed by the MGA
2. Employees working in the land-based industry
3. Employees working at the MGA

Indirect Employment

4. Indirect employees may include persons working with firms and self-employed persons providing services to gaming firms. Services provided to gaming firms cover a wide range of activities, including law, general consultancy, audit/accounting, data centres/hosting providers/ICT support services, translators, software providers, gaming platforms control systems providers, banks, recruitment and similar services, transport services, and cleaning services. This employment figure does not include jobs arising from the second-round expenditure of service providers and of the employees themselves.

The split between direct and indirect employment, including the components falling under each, has been derived following a review of the characteristics of business operations within and associated with the gaming industry. This led to a more detailed analysis which clearly distinguishes between the activity categories under points 1.2, 1.3, 1.4, and 3 above. In past analysis, these used to be bundled together with the indirect employment figure defined under point 4.

The distribution of FTE employment, as at December 2019, is illustrated on the following page. Over 80% of employees are located within the activities of firms in the online gaming sector operating in Malta, of which 6,593 FTE persons are working with MGA-licensed companies on the activities covered by the Authority's licences. It has been estimated that 2,199 FTEs are working either on the activities licensed by another jurisdiction, with MGA-licensed firms, or provide direct services to MGA-licensed firms while being employed by another associated/related company. Just above 680 employees are working in Malta with companies that are not licensed by the gaming regulator. Around 12% are estimated to be employed in land-based gaming activities, including casinos, gaming parlours, commercial bingo outlets, and the National Lottery operator's headquarters and points of sale. During the year

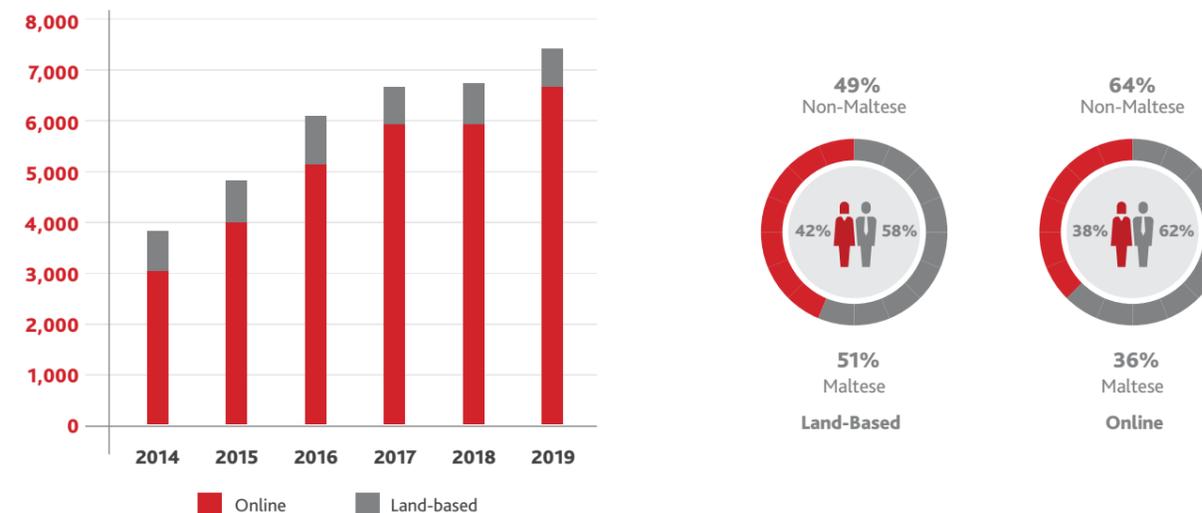
under review, the Authority had 169 employees, translating into 1% of the total workforce of the gaming sector. Employment with service providers stood at 651, 6% of the total, calculated on the basis of FTE hours of employee time dedicated to servicing client firms in the gaming sector. This value, derived from a survey approach, may possibly under-represent the impact on employment as the survey may have largely excluded engagement on a one-off basis, while the sample of interviewed firms may not be necessarily representative of the total employment in the population.



The Direct Employment

Online and Land-based Activities

Employment in online and land-based firms licensed by the MGA has followed a consistent upward trend over the past six years. It has grown from under 4,000 FTEs in 2014 to more than 7,400 FTEs by 2019, as shown below.



The requirement for non-Maltese workers remained especially pronounced in the online gaming sector in 2019, although local talent is making some in-roads in the industry. The share of Maltese workers in online gaming firms rose from 32% to 36% during the year. There is a more balanced distribution between Maltese and non-Maltese workers in the land-based industry, as the predominance of foreign workers in casinos is counterbalanced by the other activity segments.

Past trends show that the gender distribution is skewed towards male employees. During 2019, the percentage of male employees within the online gaming sector was 62% while that in the land-based sector was 58%.

² Malta Gaming Authority, 2019 Employment in the Gaming Industry in Malta.

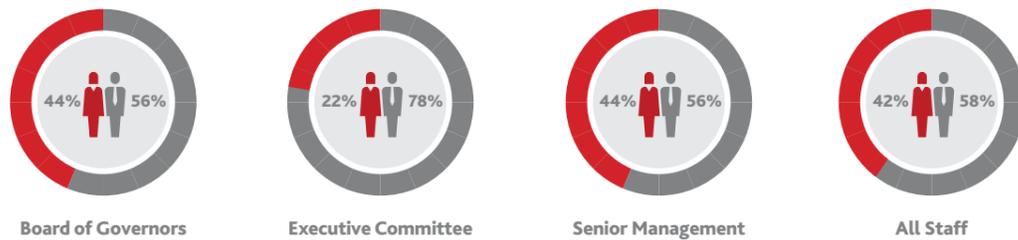
³ The employment figure for 2019 is not comparable with those of the previous years due to changing the data collection instrument. With a view of continuous improvement, the MGA has modified the latest Industry Performance Return to better capture data on additional employment in the gaming industry within the licensed entity. This resulted in a higher quality and accuracy of data, and also higher number of employees being reported by licensees in this section, particularly with respect to employment which was hitherto being reported under the indirect category.

The Employees at the MGA

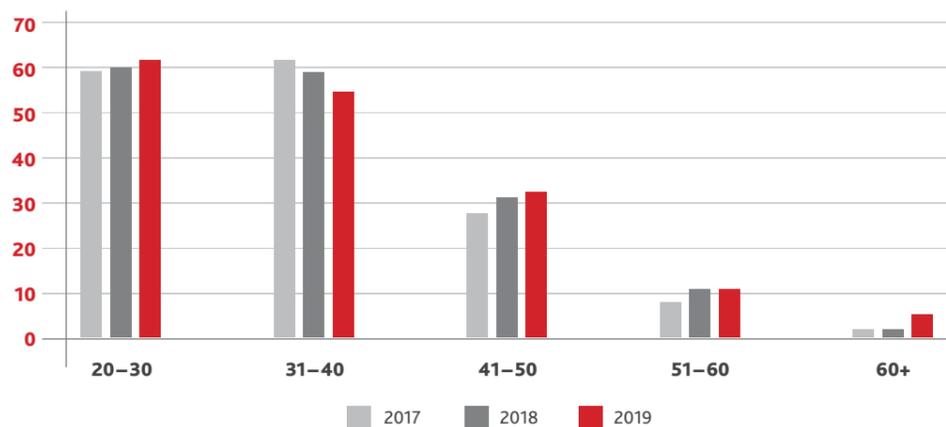
Over the years, the MGA has progressively increased the headcount so that the Authority can achieve its desired service levels and capacity to conduct all its functions at law and regulate its portfolio of licences effectively. As at the end of 2019, the Authority employed 169 employees, who are also considered to be part of the direct employment of the gaming sector.



The Authority strives to create an inclusive workplace to deploy the MGA's strategy by leveraging the diverse perspectives of the workforce in terms of skills, gender, as well as age. During 2019, the MGA's gender split (female-male ratio) remained at 42:58. Out of all the members of the Authority's Board, 44% were women. An improvement was seen in the C-level workforce, where female employees' participation rose from 11% in 2018 to 22% by the end of 2019. Meanwhile, 44% of the upper-level positions of the MGA were occupied by female employees.



The employees' age distribution was in line with 2018, with the majority of the employees lying within the 20-30 and 31-40 age brackets, constituting 37% and 33% of the total workforce, respectively. On the other hand, the Authority saw a decrease of 7% in the 31-40 age bracket and a 6% increase in the 41-50 age bracket. Increases were also registered in the 20-30 age bracket, as well as in employees aged 60+, as shown in the following chart.

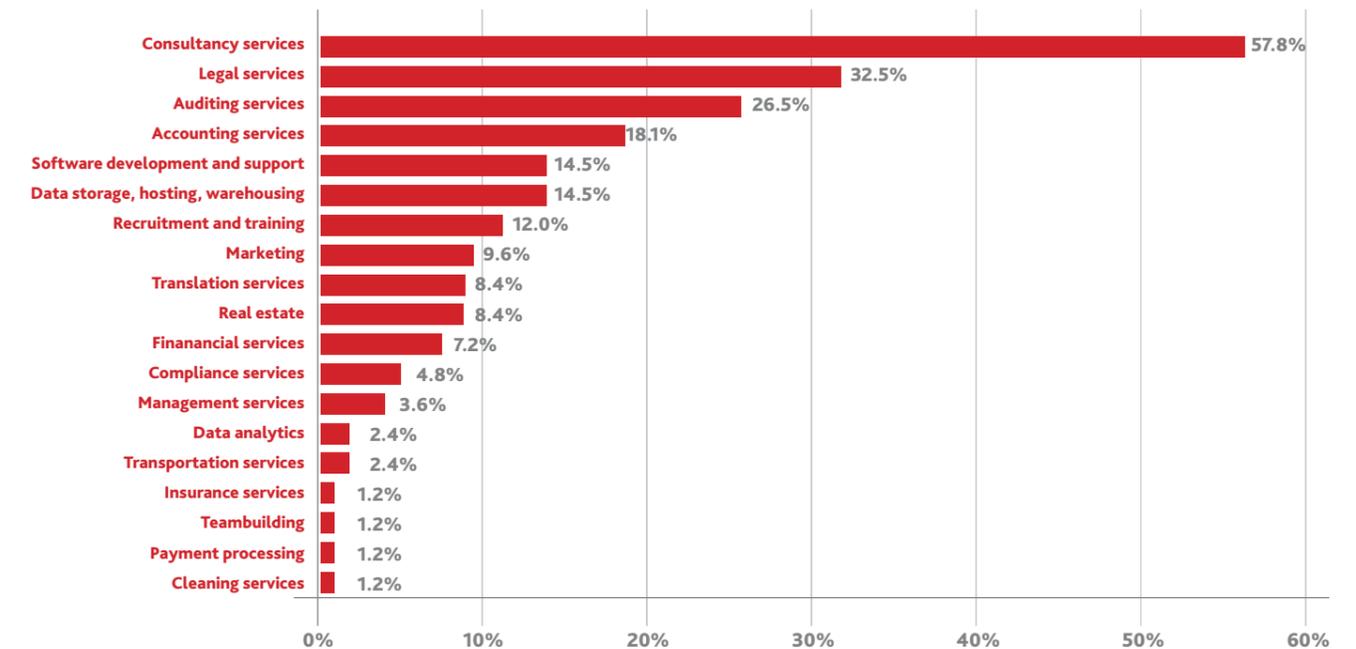


The Indirect Employment

Through an annual survey, the Authority estimates the employment levels within service provider firms that offer a service to gaming operators. Such services cover a number of activities, including general consultancy, legal advice, auditing, translation, data centre, data storage or hosting and warehousing, software development and support, real estate, as well as office cleaning services. It was estimated that the employment related to services provided to the gaming industry stood at 651 in 2019.

This estimate was based on the FTE hours that an employee would have spent during a year servicing firms within the gaming sector. The sample of firms interviewed was based on a database built over the years with the use of the snowball sampling technique. To this end, the employment value estimated for the indirect employment component may possibly be under-representative and thus, may understate the extent of its contribution. Furthermore, it should be noted that this employment figure does not include jobs arising from the second-round expenditure of both the service providers or the employees themselves.

The chart below provides an indication of the nature of the activities provided by service firms, which were estimated to be offering over 651 FTE jobs devoted to the gaming industry as at December 2019. Primarily, these consisted of general consultancy, legal, and audit services, followed by accounting firms.



The Availability of Skills

In order to better understand the extent of potential growth in employment within the gaming industry in the coming years, as well as the extent of gaps in terms of skills, the Authority collects information on skills availability and shortages specifically for the gaming industry in Malta.

The results of a survey conducted by the MGA indicate that as at the end of 2019, 64% of all employees in the online gaming industry were non-Maltese. Although the share of foreign employees decreased by just below four percentage points year-on-year, this confirms the need for expatriate workers to sustain the growth of the industry. Therefore, it is important to ensure that the employees' skills are effectively aligned to business requirements in order to sustain the growth and further development of the industry.

The survey results indicate that gaming companies are searching for candidates with various backgrounds and skills. As at the end of 2019, there were almost 875 unfilled vacancies, an increase of 19.5% when compared to the number of unfilled vacancies as at the end of 2018. The majority of the vacancies referred to operational jobs, which accounted for 62% of the total number of unfilled vacancies, followed by vacancies within the middle management position, estimated at 34%.

It is worth noting that when compared to 2018, the vacancies within the middle management position increased by seven percentage points, while those within the operational category dropped by six percentage points. This clearly indicates that gaming companies are finding it harder to recruit employees in job positions that require more experience. The remaining 4% of the vacancies were related to top management positions.

As at the end of the period under review, more than half of the unfilled vacancies referred to jobs within the game operation and development category (28%) and those within the marketing category, which constituted a further 24% of the total. Job vacancies within the technology category were also significant since these accounted for 16%. As illustrated below, the remaining vacancies were evenly split between the remaining categories.



It could be noted that two-thirds of vacancies remain unfilled for no more than three months, which might indicate that people with the right knowledge and skills are available to satisfy the job openings. However, 10% of the vacancies tend to take a longer period of more than six months to be filled.

The survey also evaluates the main causes of unfilled vacancies since such information may provide the necessary insights to close the existing gap in terms of skills and talent. Confirming past trends, the lack of work experience (33%) topped the list of the main causes of unfilled vacancies. Competition from other employers accounted for 30% of the responses, while the lack of appropriate qualifications followed with 22%.



The MGA will be publishing the full report on the skills gap affecting the online gaming industry in Q3 2020.

Conclusion

Recent employment figures for 2019 concerning the situation of employment in the gaming sector in Malta confirm past trends, namely steady growth in labour demand and a general improvement in the availability of skills. The COVID-19 pandemic situation may entail threats to specific industry segments in 2020, particularly the online sports-betting business, and land-based gaming, which is in good part dependent on tourism activity. According to a specific survey exercise conducted by the MGA, firms in the online gaming sector do not appear to intend to reduce their staff complement, focusing instead on revenue protection activities in a situation that is expected to normalise over the coming months. This is also understandable in terms of protecting available skills in a situation of general market scarcity, which, in the future, could also be affected by travel restrictions. Employment in the land-based sector has also been addressed by specific interventions implemented by the Government of Malta in consultation with the MGA.





Operational Review for 2019

During the year under review, the Authority continued to reinforce its status as a thought-leader in the effective regulation of the gaming industry. Through the initiatives undertaken in 2019, it provided the industry with the right support through forward-looking and compliant regulations, policies, and procedures. The ultimate aim is that of protecting consumers and society at large from the potential threats that may emanate from illicit and criminal behaviours.

Regulatory Overview

In 2019, the Authority decided to further increase its focus on both online and land-based compliance. In this context, the Regulatory Directorate was split into two separate directorates, the Authorisations and Compliance. While both directorates work hand in hand to achieve the regulatory objectives of the Authority, the split ensured that each respective directorate is granted the space and resources to focus on its core specialisation. During the third quarter of 2019, discussions focused on the integration of the Investigations and AML Teams with the Compliance Directorate since both Units were carrying out a supervisory function. This change, which eventually took place in October 2019, was a natural complement as the Compliance Directorate gained an overarching compliance view of every licensee. Such a merger will surely result in added synergy between the teams in the coming years.

Authorisations of Gaming Licence Applications and Certificates

The Authorisations Department plays a crucial role in the onboarding process of operators, having the principal aim of ensuring that only fit and proper, reputable, and compliant applicants are ultimately awarded an authorisation. This is resulting in an attractive, stable, and reputable regulatory environment, which enables the gaming sector to keep on developing. The Authority is continuously at the forefront of regulatory and technological developments and ensures that its onboarding requirements and processes cater for such advancements. The ultimate aim is to support the evolution of the gaming sector, whilst still being sufficiently flexible to be attractive to start-ups and innovators.

The Authorisations Team handles the onboarding process of new operators and applicants by issuing the relevant gaming licenses or certificates. In addition, it receives and reviews other authorisation requests and notifications, such as changes to any key functions, key technical setup and essential components, games and game verticals, material supplies, and other information and reporting requirements emanating from the regulations. During the year under review the MGA received a total of 89 applications for gaming licences and issued 53 licences.

Following the implementation of the Gaming Act in 2018, 2019 was characterised by the roll-out phase of the said

regulations. Operators and key industry stakeholders were becoming more familiar with new requirements, as well as the multitude of new opportunities that they could make use of. This resulted in a constant influx of authorisation requests, from both new and potential applicants, as well as a multitude of notifications and requests for changes from existing authorised persons. The benefits of the B2B and B2C generic licences were welcomed by the industry, with a good number of operators adding different verticals and gaming types to their existing portfolio. The Authorisations Team ensured that all the relevant checks were made efficiently, thus enabling licensees to make use of new verticals in the shortest time possible. A substantial number of notifications for the addition of games based on the same game engine were also received and processed, thus enabling Maltese licensed operators to offer a vast and varied portfolio of games.

The fitness and properness aspect of gaming licence applications was further given due importance by conducting more in-depth due diligence checks. Such checks continued to cover the source of funds, criminal probity, and fitness and properness of the proposed operations using a risk-based approach. Complex matters were referred to for the consideration of the Fit and Proper Committee or the Supervisory Council, depending on the nature of the matters of concern.

The year 2019 also saw an increase in the number of Recognition Notices, the concept of which was introduced by the Gaming Act. In 2019, a total of 65 internationally licensed game providers, as well as Maltese registered and established entities who did not hold the relevant Maltese gaming licence, regularised their position and applied for the relevant Recognition Notices. Prior to the issuance of any such certificates, the Authority reviewed the applications to ensure that the foreign authorisation issued by another member state of the EU or the EEA is deemed adequate by the Authority. Foreign authorisation must offer the necessary safeguards, which are equivalent to those offered by Maltese law.



The key functions requirement, which was introduced through the Gaming Act, resulted in a high number of applications requiring the Authority's attention. As specified in the Gaming Authorisation Regulations, gaming companies are required to appoint suitable and competent personnel for the key functions, in accordance with the nature of their operations. For any such application, the Authority must assess the applicant's fitness and properness, prior to issuing the relevant certification.

Furthermore, the Authority is also issuing Material Gaming Supply Certificates to any person offering specific services to an authorised entity. During the year under review, the Authority received 19 applications for this type of certificate.



Criminal Probity Screening

The MGA considers the carrying out of proper criminal probity screening procedures as a fundamental first step in ensuring that Malta-based gaming operations are not used as a façade for money laundering or terrorist financing. The criminal probity screening function of the Authority carries out checks at application stage and whenever necessary thereafter, for the identification, verification, and investigation of all natural and legal persons, namely directors, shareholders, ultimate beneficial owners, and any key persons associated with the prospective licensee or licence holder. Such checks play a vital role in the Authority's scope of ensuring that such persons are "fit and proper" persons from a criminal probity perspective.

Furthermore, criminal probity checks are also conducted once an operator/individual/entity holds a licence.

The Authority seeks to ensure, through its various directorates, that licensees remain suitable to hold a licence and that their conduct is consistent with the licensing objectives. Additionally, licensees must meet the requirements of the relative legislation and the conditions of their licences, as well as the related codes of practice.

Criminal probity checks are conducted using platforms available as open sources and by contracting third-party service providers. The latter offer professional assistance, which enhances the overall effectiveness in determining the criminal probity of both applicants and licensees. Adequate measures must be adopted by the Authority in order to determine the identity of the beneficial owners behind the prospective licensee or licence holder and enable the understanding and effective monitoring of the proposed operations. Additionally, monitoring is also required to establish the risk posed by a particular prospective licensee or licence holder and have access to information relating to involved persons at the earliest time possible, in the event that any suspicious activities need to be reported.

These assessments allow the Criminal Probity Screening Team to provide an informed and reliable recommendation to the Authorisations Directorate and to the Authority's Fit and Proper Committee. The latter is responsible for delivering the final consideration or judgement.

During 2019, the Criminal Probity Screening Team conducted over 1,300 criminal probity screening checks on both land-based and online gaming activities, covering individuals/key persons, employees, and companies from both sectors. Of all checks conducted in 2019, 93.6% were related to online gaming activities.



The Criminal Probity Screening Team and the FIAU are in constant liaison to discuss subject persons who have passed through criminal probity checks. Both authorities work together to establish a more structured system for the benefit of both institutions.



The Compliance Function

The Compliance Directorate is made up of three distinct functions, namely land-based supervision, financial and player funds, and regulatory supervision. The main focus of the three teams within the Compliance Directorate is to ensure that all licensees are aware of and comply with the necessary regulations. The various Compliance Teams must also coordinate with the Legal and Enforcement Directorate should the licensees fail to comply, thus ensuring that the necessary action is taken by the Authority to safeguard both the players' funds and the Authority's reputation.

In 2019, the number of employees in the Compliance Directorate grew. This growth is planned to persist throughout 2020, thus reflecting the strategic vision of the Authority. With this increased focus on compliance, the Directorate managed to establish a 360-degree view on all licensees by ensuring that any incident concerning a licensee is channelled through the Compliance Directorate. The team continuously focused on three main areas, namely compliance audits, resolving compliance issues, and breach reports.

A risk-based approach was used to carry out standard and targeted compliance audits for licensees that have either been in operation for a year or posed a higher risk. The team also executed 185 desktop checks, including website checks, and 37 individual checks to ensure that licensees are in line with the established regulations. The compliance officers and auditors worked tirelessly to close off 130 issues that arose throughout the year to ensure that such licensees were compliant with the relevant regulations and directives. Furthermore, 63 breach reports were escalated to the Legal and Enforcement Directorate and to the Compliance and Enforcement Committee for further review.



The financial and player funds supervision team reviewed 2,543 Player Fund Reports (PFRs) submitted to the Authority by all B2C and B2B licensees that offered pooled jackpots during 2019. Any licensees that failed to submit the PFRs to the Authority or repeatedly submitted such monthly submissions after the deadline were escalated to the Legal and Enforcement Directorate. Operators submitted more than 230 Audited Financial Statements in 2019, which were subsequently reviewed by the team. Furthermore, the Compliance Team carried out financial desktop reviews of certain operators using a risk-based approach and detailed assessments of those with a higher financial risk.

The new regulatory framework for the land-based sector came into force on 1 January 2019. The team worked towards facilitating the process for the licensed land-based operators to start submitting applications via the Licensee Relationship

Management System (LRMS). In addition, applications for low-risk games were also submitted through this system. During the period under review, the land-based team processed 1,578 low-risk games applications that consisted of 1,535 non-profit bingo, 21 non-profit lotteries, and 22 commercial communication game permits.



The Compliance Directorate is also responsible for providing a letter of good standing for the MGA licensees to other local and foreign Authorities. To this end, 28 of such letters were issued to foreign counterparts, after several operators applied for a licence with foreign jurisdictions.

Effective AML Function

The AML Unit has formed an integral part of the Compliance Directorate since October 2019. Its main intention is that of inducing an enhanced holistic view of the licensed gaming operators from a supervisory and monitoring perspective. This approach has induced better visibility of gaming operators in terms of both prudential and AML/CFT compliance. The prudential and AML facets are now working closer together, and thus, the level of knowledge and expertise is increasing.

The AML Unit carries out examinations on MGA licence holders in terms of AML/CFT. These are considered to be "subject persons" pursuant to the PMLFTR. Such examinations are carried out by the MGA, as agents of the FIAU, in terms of Article 26(5) of the Prevention of Money Laundering Act (PMLA). These may be carried out either jointly with the FIAU or else solely by the Authority's AML officers, as agents of the FIAU. To this end, the FIAU remains the sole authority responsible for reviewing cases that are brought to its attention and determining potential breaches and sanctions to be imposed in terms of the PMLFTR. Thus, all follow-up actions determined by the FIAU are completed by the relevant committees as required. To this end, the primary objective of the AML Unit is to act as an extended arm of the FIAU and serve as the AML/CFT supervisor of the gaming sector in the Maltese jurisdiction.

During the early months of 2019, the FIAU halted the MGA's AML Unit operations in view of the radical procedural changes which occurred. These changes were particularly focused on the operational and methodical aspects of operations, such as methods of archiving, streamlining of procedures (across all supervisors), examination methodologies, and new reporting mechanisms.

During March 2019, a Risk Evaluation Questionnaire (REQ) was issued to both the land-based and online gaming sectors. This was based on various collaborations between the Authority and the FIAU as well as consultations with various key stakeholders of the industry. The REQ was made up of 200 questions, covering various areas, including business risk assessment, customer acceptance policies, ongoing monitoring mechanisms, training and reporting, and other variables which allow for the calculation of both aggregate and residual risks. Such an exercise provided the basis for the overall AML/CFT risk assessment of subject persons, which was then translated into the supervisory plan which the Authority sets together with the FIAU on a yearly basis. In this regard, during the month of July 2019, the 2019–20 Supervisory Plan was established. This is essentially an examination roadmap for both Authorities to carry out AML/CFT examinations.

In August 2019, the MGA resumed its AML examination functions with the gaming sector. A total of six full-scope examinations were triggered between August and December 2019. During this period, an additional seven supervisory meetings were held with the industry. The main motive was to monitor the progress of operators that underwent an examination during 2018. In addition, during the third quarter of 2019, the AML Unit introduced the concept of MLRO interviews, whereby each and every new licensee, who is deemed to be a subject person, is required to have its MLRO, also known as the key AML function, interviewed by the Authority's AML officers. The intention of such interviews is to evaluate an MLRO's level of AML/CFT knowledge, particularly within the AML/CFT gaming sphere. The interview procedure is now fully implemented and occurs at the final stages of each licensing authorisation process. The gaming licence is not to be issued by the Authorisations Directorate unless the MLRO is fully endorsed by the Authority's AML Unit. By the end of 2019, the AML Team conducted a total of 14 MLRO interviews.

Apart from acting as the supervisory arm of the FIAU over both land-based and online gaming sectors in accordance with the PMLA, the AML Team collaborates closely with the Asset Recovery Bureau (ARB). This was established under Legal Notice 357 of 2015 as well as the National Coordinating Committee on Combating Money Laundering and Funding of Terrorism (NCC).

The ARB is an autonomous public entity governed by a Board led by a chairperson. It is responsible for policymaking, the implementation of the provisions of the ARB Regulations, and the execution of policy as established by the Board. During 2019, the MGA handled a total of 60 requests originating from the ARB.

When it comes to the NCC, its main aim is to oversee the national effort in terms of AML/CFT in order to ensure full transparency on Malta's AML/CFT risks as well as a

comprehensive, coordinated, and communicated strategy for managing these risks. Additionally, the NCC is also responsible for the effective execution of and follow-through on decisions made, as well as the effective ongoing cooperation and intelligence sharing among stakeholders. The MGA participates in this Committee through the nomination and appointment of its Head of Compliance and AML and its Chief Executive Officer.

Investigations on Gaming Activities

The investigations function within the Compliance Directorate is primarily responsible for investigating matters of suspicious nature, which include illegal gaming, fraud, and other breaches emanating from the relevant gaming laws and regulations falling under the Authority's remit. Many of the cases encountered during 2019 revolved around gaming operations performed to, or from, Malta or through a Maltese legal entity, without the relevant authorisations.

The Investigation Unit continued to strengthen its close collaboration with the Malta Police Force, a collaboration which enabled the two bodies to combine their expertise and share information that proved to be crucial in investigating cases concerning unlicensed companies. Furthermore, the amalgamation of the investigations function with the Compliance Department, which also comprises of the AML Unit, facilitated the process for the said function to provide investigative support to both the Compliance and the AML Units. These two areas are vital to the regulatory operations of the Authority.



Tighter Enforcement

The Enforcement Unit is primarily responsible for taking enforcement action against persons or entities that are found to be in breach of the regulatory instruments falling under the Authority's remit. The functions include, but are not limited to:

- 📌 recommending and executing enforcement measures in relation to authorised persons that are found to be in breach of the applicable regulatory instruments;
- 📌 considering and executing regulatory settlements with persons that have committed an offence against the Gaming Act, when such a course of action is warranted; and
- 📌 assisting the Executive Police and Attorney General's Office, together with other internal stakeholders, in investigating and prosecuting criminal offences against the Gaming Act or stemming from a gaming operation.

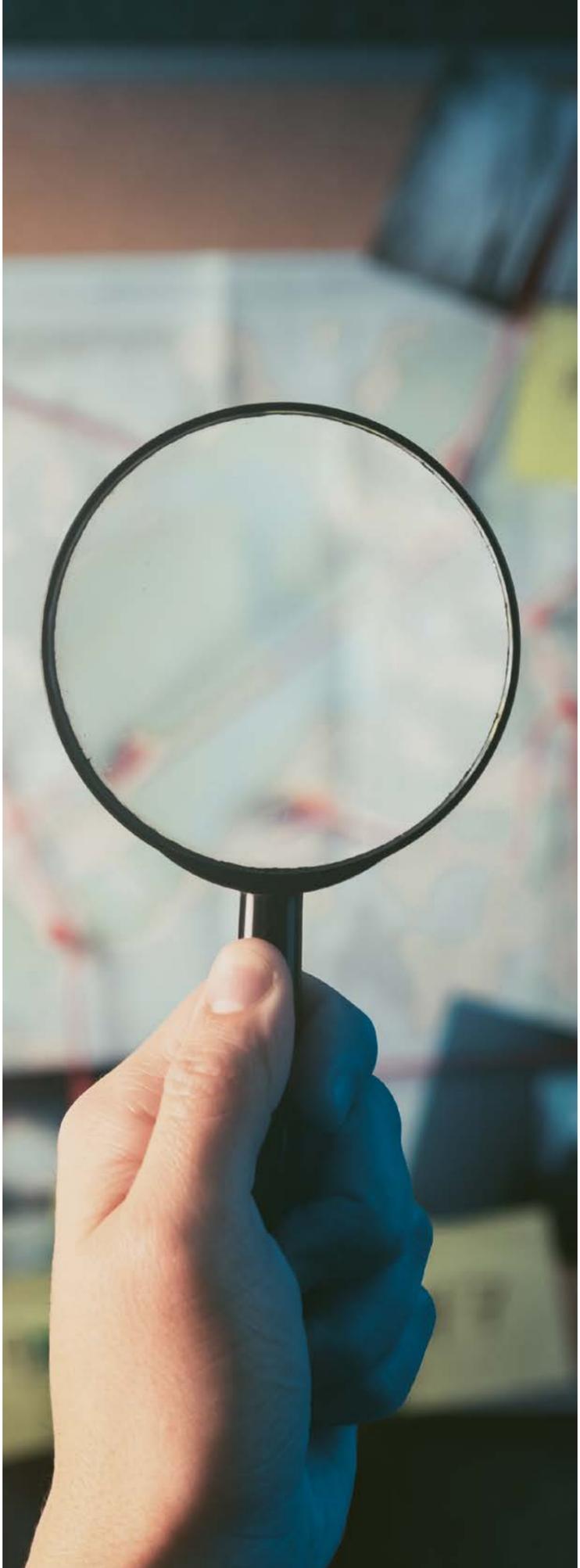
During 2019, a new approach was introduced, whereby the process flow concerning the follow-up of the Enforcement Breach reports is scrutinised by the enforcement function. This would be escalated through the MGA Compliance Directorate and later flagged up to the Authority's Compliance and Enforcement Committee, for eventual discussion and direction on the best way forward.

Number of Enforcement Actions	2017	2018	2019
No. of warnings	1	16	20
No. of notices of breach	N/A	73	89
No. of suspended licences	5	4	11
No. of cancelled licences	3	8	14
No. of administrative fines imposed	46	138	23

A new set of principles concerning the application of enforcement measures were introduced. This was done following a series of discussions held between the Legal Unit and the enforcement function of the Authority. Due attention was given to the different types of offences reflected in the new legislative framework, specifically the Authority's capability to offer any offender the possibility of entering into a regulatory settlement to make up for any criminal proceedings. Furthermore, stakeholders discussed at length the decision-making criteria related to the enforcement measures served to operators. It was agreed to start taking a non-exhaustive list of considerations into account prior to serving the operator with the applicable enforcement measure. It was also decided to identify the nature of the breach, the mitigating/aggravating circumstances, as well as any previous disciplinary/supervisory record of the authorised person concerned.

Another important issue, which was implemented during the year under review, concerned the quantification in case of penalties. A series of steps were identified, which are now being adopted by the enforcement function when considering the amount of the fine to be imposed. These are also reflected in the aforementioned principles.

The Enforcement Unit within the MGA works in close contact with the Malta Police Force and other international bodies throughout the course of its operations, for the effective enforcement of the relevant gaming laws. Ad hoc meetings are regularly held with the Economic Crimes Unit and the Vice Squad within the Malta Police Force. The MoU signed with the Police in May 2019 further strengthened the cooperation between the two entities regarding gaming operations, including the exchange of information. This initiative was intended to further provide both parties with the appropriate means of combatting gaming-



related offences, as well as the procedures which become applicable when such parties are involved in joint operations related to illegal gaming activities. The MoU has been well implemented throughout the year. In fact, the Legal Directorate has been in constant liaison with the Police in order to cooperate further when it comes to the prosecution of criminal offences under the Gaming Act.

Throughout the course of the year, the Authority also collaborated with other regulatory bodies and government entities. The latter include the Malta Financial Services Authority, the FIAU, the Malta Competition and Consumers Affairs Authority, and the Office of the Attorney General.

The Inspectorate Function

As part of its regulatory functions, the MGA's Inspectorate Team supervises licensed casinos on an ongoing basis, having the presence of the MGA staff at such premises nearly 24/7. During the year 2019, the Inspectorate Team visited casinos 8,480 times.

The Inspectorate Team also oversees draws of games offered by the National Lottery licensee. Throughout 2019, a total of 172 draws were conducted during which the MGA's representatives were present. In addition, inspections are carried out in other land-based gaming premises, including bingo halls, lotto booths, and gaming parlours. Furthermore, the Inspectorate Team conducts ad-hoc inspections during non-profit tombola events.

During the period of January to December 2019, 3,382 checks were carried out in gaming parlours. This is 49% more when compared to the corresponding period of 2018. Inspections in the Maltco's booths increased by 10%, from 717 to 788. Inspections conducted in commercial bingo halls declined by 22%, mainly due to the closure of two establishments. Inspections during non-profit tombolas went up by 10%.

Number of Visits by the Inspectorate Team	2017	2018	2019
Gaming Parlours	2,190	2,268	3,382
Lotto Booth	850	717	788
Commercial Bingo	812	646	506
Non-profit Tombola	401	413	454

Throughout 2019, the Inspectorate Unit concentrated its efforts on the quality of the inspections, mainly on in-depth checks in particular areas of Malta inside various gaming establishments. The purpose of such initiatives was to re-establish a confirmation that gaming operators are operating their business according to the recent changes undertaken in the Gaming Act and the respective regulations. These included the following measures:

- 📌 a reconciliation exercise of all electronic gaming devices took place in all gaming premises. This involved capturing all the identifications of each machine. Any variances were further investigated;
- 📌 exhaustive inspections were conducted at the reception desks and surveillance offices. This provided the Authority with the reassurance that operators were in line with the new amendments in the Law. Any shortcomings were highlighted to the Compliance Directorate for further investigation; and
- 📌 continuous and genuine reports on the financial aspect of the operations within the land-based gaming establishment were established. Special projects and amendments to the regular routine inspections were detailed for the improved practice of the Inspectorate Unit.

International Affairs and Policy Developments



Towards the beginning of 2019, the Authority created a designated international affairs and policy function, channelling areas that previously resided within the Legal Department. The international affairs function manages the Authority's relationship with its foreign and international counterparts, including information exchange and cooperation, and keeps up with developments in gambling regulation internationally.

In 2019, the MGA signed an MoU with the Swedish Gambling Authority. This occurred within the same timeframe as the creation of a national regulatory regime for online gambling in Sweden. As a result, Sweden and Malta mutually license and regulate a significant portfolio of licensed operators. This facilitates close communication between these regulators, which is especially important since the sharing of information and assistance in regulatory matters is a priority. The Authority also held discussions with a number of foreign regulators with whom cooperation is critical due to key regulatory overlaps. In fact, the MGA held high-level meetings with the Italian Agenzia delle Dogane e dei Monopoli, the Dutch Kansspelautoriteit, and the British Gambling Commission, amongst others. The MGA also maintains a relationship with an Italian AML law enforcement agency due to heightened risks of cross-border criminal activity.

The MGA also hosted a number of technical workshops with a number of international gambling regulators to exchange best practices, and on occasion, to provide training on specific areas of gambling regulation. In this respect, the MGA received delegations from Ireland, Nigeria, Curacao, Sweden, the Netherlands, Zimbabwe, Latvia, and Ghana. MGA officials were also invited to speak and share their regulatory experience in jurisdictions that are seeking to create a new gambling regulatory regime, including Ireland and Brazil. In doing so, the MGA shared lessons learnt from its own experiences.

The MGA has also initiated efforts to assist foreign regulators who might need to perform onsite visits to operators established in Malta. This may be necessary when such operators are jointly licensed by the MGA and the foreign authority. The MGA has already assisted the French Autorité de Régulation des Jeux En Ligne (ARJEL) and has committed to assist the Swedish Gambling Authority.

During 2019, the team handled a number of cooperation requests that were received and sent by the Authority. These are shown in the following tables:

Number of Requests Received	2018	2019
Generic request to cooperation	12	16
Information about the local regime	2	4
Request for information about an unlicensed person/entity	7	5
Request for background checks as part of an authorisation process	8	28
Regulatory assistance with a locally licensed operator	4	2
Information about criminal activity by players	5	0
Sports integrity	4	3
Total	42	58

Number of Requests Sent	2018	2019
Informing other regulators of illegalities	3	13
Request for further information about a person/entity due to adverse media reports	2	0
Request for background checks as part of an authorisation process	8	50
Request for information as part of a compliance investigation	1	1
Information relating to a foreign regulatory regime	6	5
Sports Integrity	1	0
Total	21	69

Outreach to the industry remains a key strategic pillar for the MGA. Members of the team participated in numerous events in Malta, as well as abroad. Their roles included those of speakers and panellists, informing the industry and other stakeholders of the MGA's purpose, intention, vision, and expectations. The MGA also participated in a number of local and international seminars and conferences.

The MGA's message about responsible gambling is one of the focus areas of this function. Sessions were delivered at SiGMA (Malta, November), EGR UK Summit (London, November), the Sustainable Gambling Conference (Copenhagen, October), Prevention Management Cross-Industry Working Group (Malta, June), and Artificial Intelligence in Gaming: The Responsible Way (Malta, February). During ICE 2019 (London, February), as well as in the seminar entitled Safeguarding Standards: A Cross-Country Snapshot (Malta, October), the MGA spoke about its broader compliance priorities, in particular AML, which was at the top of its list throughout 2019. Other key areas of discussion included consumer protection, integrity in esports during the KPMG eSummit (Malta, November), and regulatory cooperation during the Central and Eastern European Gambling Conference (Budapest, September). Additionally, the relationship between the industry and the regulator was discussed during both the European Gaming Congress (Milan, November) and Responsibility in Gaming Europe (Brussels, October).

The MGA is an active participant in the GREF and the IAGR. It has participated in the various iterations of each of the GREF's Working Groups, which include eGambling & Technical Standards, Responsible Gambling, as well as InfoStat. The eGambling Working Groups continued the work on the project relating to the blurring of lines between gambling and gaming, initiated in 2018. This led to the publication of a common declaration on the concerns of convergence between gambling and other forms of digital entertainment.

In May 2019, the MGA also participated in the GREF's annual conference in Limassol, which is attended exclusively by gambling regulators. The main theme of the conference was "Exploring the boundaries between gambling and financial regulation". Alternative payment methods, payment blocking measures, the parallels between gambling products, gambling-like financial products, and virtual currencies were all discussed. The MGA was joined by a private practitioner and a representative from the Malta Financial Services Authority to explain the link between gambling and distributed ledger technology, including cryptocurrencies and their risks, and how Malta is seeking to regulate the sector.

The MGA is currently following a number of files being discussed at various stages within the European Union's legislative process in order to provide advice to the Government of Malta concerning their impact on the gaming industry. These included the European Commission's standardisation request to the CEN for reporting standards in the supervision of online gambling, elements of the proposed ePrivacy Regulation, and the Copyright Directive, amongst other legislative and non-legislative proposals. Guidelines in preparation of the United Kingdom's exit from the European Union were also published for the benefit of operators.





The international affairs function of the Authority remains active in searching for solutions to contribute to the international effort around the detection and prevention of the manipulation of sports competitions in a meaningful way. This led to the implementation of the Macolin Convention, which brought together the MGA, the Maltese Government, the various Ministries involved, as well as SportMalta. The MGA is also involved in the practical implementation of safeguards against the manipulation of sports from a betting perspective.

On the policy front, efforts were made throughout 2019 to bring further clarity and certainty, following major legislative changes to the regulatory framework in Malta. These included the new Gaming Act, the implementation of the 4th AMLD, the preparation for the 5th AMLD, and the implementation of the GDPR. New guidelines were published in relation to commercial communications, whilst groundwork was laid in relation to new technical requirements for the MGA. Additionally, there was the implementation of the MGA's EARP, a tool which is aimed at automating reporting from gambling operators, starting off with the land-based industry.

On the responsible gambling front, the Authority has initiated a review of the Player Protection Directive and also co-hosted the first iteration of the Responsible Gambling Week in Malta. The latter was done in parallel to the same event organised in the United Kingdom, as well as other countries. The Responsible Gambling Week is an industry initiative aimed at highlighting the importance of ensuring that gambling remains a sustainable means of entertainment. Additionally, the event organised at the MGA's premises on the final day of the week helped with gathering perspectives and experiences from various stakeholders, including academics, for consideration within the MGA's future player protection strategy.

Establishment of the Sports Integrity Unit

The threat of match-fixing and malicious sports betting continues to be an increasingly international problem. On 29 August 2019, the MGA announced the creation of a new Sports Integrity Unit as part of an initiative to increase focus and resources towards the fight against the manipulation of

sports competitions. Its role consists of gathering intelligence and information related to suspicious betting. The Unit serves as a liaison with local and foreign regulatory authorities, law enforcement agencies, betting monitoring systems, sporting bodies, and gaming operators, in order to investigate irregular and suspicious betting activity.

The Authority's Sports Integrity Unit recognises that its commitment to sustaining its proactive approach to managing sports betting integrity directly contributes to effective regulation and to the MGA's mission in general. In order to assist the Authority in competently regulating the various sectors of the gaming industry, the Sports Integrity Unit will continue to work with its partners and other stakeholders, such as those in the betting industry, sports industry, and law enforcement bodies. The aim is to recognise vulnerabilities, encourage precautionary measures, and strengthen the deterrents to corruption in betting and sport in general. In the long run, the Unit aims to be in a position to better identify any longer-term threats and implement policies that prevent any threats that pose the greatest risk. To such a degree, the Sports Integrity Unit plays an integral part in helping the Authority by ensuring that gaming is fair and transparent to the players and preventing crime, corruption, and money laundering.

Furthermore, the Unit will also be liaising with other Directorates within the MGA to implement various policy initiatives. These include bringing into force the provisions at law concerning the reporting of suspicious betting activity by gaming operators to the MGA, signing agreements and deepening collaboration with entities that have similar objectives, as well as establishing a culture of cooperation amongst industry stakeholders to tackle the global problem of corruption in sports.

Since its inception during the third quarter of 2019, the Unit was subject to 15 requests for information. These were submitted by the Malta Police Force, and other regulatory authorities and sports governing bodies. Some of the requests required the Unit to check whether it held any information on the sporting events being investigated by the entity making the request. However, most requests for information required the Unit to reach out to the industry in order to understand which operators held the betting

activity pertinent to the sporting event which was deemed of interest by the requestor. Such requests were conducted in accordance with its regulatory virtue set out in Article 7(2)(d) of the Gaming Act.

The Sports Integrity Unit dealt with 29 instances wherein data had to be requested from a Maltese licensed betting operator in order to be able to assist the investigations. These were either related to the manipulation of sports competitions and the general prevention or detection of crime or were relevant to the public interest. By virtue of the Gaming Act, the Unit is able to request data from its betting operators, and in turn, it is able to share them with the Police for the purposes of any investigation or prosecution of a criminal offence. Within the remits of the same Act, the Unit is also able to share information, including any relevant personal data, with sports governing bodies and other platforms in order to detect suspicious betting activities. Otherwise, it can share information with those responsible for taking action to prevent the manipulation of sports competitions from taking place, and with whom the Authority has signed a data-sharing agreement. It must be ensured that any transmission of personal data is secure and in line with the Authority's legal obligations.

Whilst the Authority has not yet brought into force the Suspicious Betting Reporting Requirements, the Authority's Sports Integrity Unit still received various reports of suspicious activity from its licensees or other concerned parties. Since August 2019, the Sports Integrity Unit received a total of 38 suspicious betting reports, out of which 19 were related to esports, 10 were related to tennis, six were related to football, one to horseracing, one to beach volley, and one to basketball. In this respect, the Unit made sure that each report was also referred to the relevant sports governing body. The Unit also assisted in any investigation which emanated from a reported suspicion, when required. It is worth noting that a suspicious betting report is not always indicative of manipulation of a sporting competition.



In 2019, the Sports Integrity Unit asserted the importance of establishing data-sharing agreements with stakeholders of both the betting and sports sectors. This is based on the elements outlined in the Gaming Act, which states that the Authority must have a data-sharing agreement in place with sports governing bodies and other platforms, the function of which includes the detection of suspicious betting activities and the ability to share any information. In this regard, the Unit held various discussions relating to the implementation of data-sharing agreements. Since August 2019, the Unit entered discussions with six different entities.

By the end of 2019, the Authority signed a data-sharing agreement with the Tennis Integrity Unit (TIU), an anti-corruption body covering all professional tennis around the world, which is responsible for enforcing the sport's zero-tolerance policy on betting-related corruption. Another agreement was entered into with the Malta Football Association (MFA), the governing body of football in Malta. During this time, the Authority also renewed its data-sharing agreement with the International Betting Integrity Association (IBIA), a global voice on integrity for the licensed betting industry. Its Monitoring & Alert Platform is an effective anti-corruption tool designed to detect and report suspicious betting activity using detailed consumer data. In addition to this, the MGA also holds an MoU with the Esports Integrity Commission (ESIC), which is responsible for the disruption, prevention, investigation, and prosecution of all forms of cheating in esports, as well as the International Olympic Committee (IOC), the authority responsible for organising the modern Summer and Winter Olympic Games.

The Unit also maintains an active dialogue with other gambling regulators. Information on specific cases where the integrity of sporting competitions may be compromised is exchanged in order to ensure effective investigations. Furthermore, the Sports Integrity Unit also liaises very closely with the Malta Police Force in procuring the necessary information for the latter's investigations.

The MGA's Sports Integrity Unit is also involved in the process being led by the Parliamentary Secretariat for Youths, Sports, and Voluntary Organisations within the Ministry of Education. The purpose is to establish a National Sports Integrity Unit in terms of the Prevention of Corruption in Sport Act (Chapter 593 of the Laws of Malta), uniting all sports integrity stakeholders, private and public, within one entity.

Legislative Updates

In 2019, the Legal Directorate, in accordance with the powers entrusted to the Authority by law, was responsible for drafting and taking part in the procedure for the issuance of a regulatory settlement in lieu of criminal proceedings to entities which were offering services without having obtained the relative authorisation from the Authority. The culmination of this process was the result of a joint effort by multiple stakeholders, including the Legal and Enforcement Directorate of the Authority and the Police. Throughout this process, the Directorate was in constant contact with such stakeholders to ensure the effective coordination of the procedure.

During the year under review, the Authority implemented the following Directives:

	Directive 1 of 2019 - National Lottery (Continuation of Concession and Licence Terms) Ruling
	This Ruling was issued in order to clarify the effect of the Gaming Act and other regulatory instruments concerning the Concession for the Rights of the National Lottery of Malta and the National Lottery licence.
	Directive 2 of 2019 - Gaming Premises Directive
	This Directive was issued in order to delineate further requirements, which gaming premises must adhere to, including requirements concerning junket gaming, employee and customer identification, as well as surveillance.
	Directive 3 of 2019 - De Minimis Games Directive
	This Directive was issued in order to establish which games classify as a de minimis exempt game in terms of the Second Schedule to the Gaming Authorisations Regulations (S.L. 583.05).
	Directive 4 of 2019 - Gaming Devices Ruling Directive
	This Ruling deals with the exhibition of gaming devices in fairs, exhibitions, and similar events relating to gaming.
	Directive 5 of 2019 - Amusement Machines Directive
	This Directive concerns the rules applicable to amusement machines. These require any person wishing to operate or in any other manner make available for use an amusement machine in their premises to register it before it can be made accessible to the public.
	Directive 6 of 2019 - Enhanced Automated Reporting Platform (Land-Based) Directive
	This Directive establishes further requirements for the application of the Authority's automated reporting system. These are applicable to casinos and controlled gaming premises, as well as providers of critical gaming supplies.
	Directive 7 of 2019 - Directive on the Rules Applicable to Amusement Machines and Low-Risk Games
	This Directive was issued to provide further clarity regarding the requirements applicable to amusement machines and low-risk games.

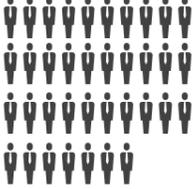
Supporting Functions

In addition to the legislative and regulatory functions, the Authority has other supporting Directorates, the output of which is vital for ensuring a successful delivery of the MGA's projects.

The Human Resources

The MGA's core vision is to be an effective regulator of the gaming industry in Malta while consolidating its strong reputation at an international level. This can only be achieved if all MGA employees work in unison to achieve these objectives.

As at the end of 2019, the Authority had a total of 169 employees. The following provides the number of employees within each directorate and function, based on the latest organisational structure of the Authority.

			
CEO'S OFFICE			6
AUTHORISATIONS (INCL. AUTHORISATIONS AND PLAYER SUPPORT)			21
COMPLIANCE (INCL. COMPLIANCE, ANTI-MONEY LAUNDERING, AND REGULATORY SUPERVISION)			34
FINANCE & PROGRAMME MANAGEMENT (INCL. FINANCE OPERATIONS, REVENUE ASSURANCE & TAX COMPLIANCE, INFORMATION MANAGEMENT, PROGRAMME MANAGEMENT, AND QUALITY MANAGEMENT)			19
LEGAL & ENFORCEMENT (INCL. LEGAL AFFAIRS, ENFORCEMENT, AND SPORTS INTEGRITY)			8
OPERATIONS (INCL. HUMAN RESOURCES, CORPORATE AFFAIRS, FACILITIES & ADMINISTRATION, INSPECTORATE OPERATIONS, AND CRIMINAL PROBITY SCREENING)			61
RISK (INCL. RISK MANAGEMENT)			1
TECHNOLOGY (INCL. ICT MANAGEMENT AND RECORDS MANAGEMENT)			14
INTERNATIONAL AFFAIRS & POLICY			3
INTERNAL AUDIT			2
TOTAL	98	71	169

DIVERSITY – EDUCATION

		2017	2018	2019
DEGREE, POST GRAD DEGREE, OR EQUIVALENT		64	67	72
DIPLOMA		41	39	41

Throughout the year, the MGA continued investing in its people to further develop their technical skills. Out of the total workforce, 67% held a recognised qualification, 64% of whom held a first degree, post graduate degree qualification, or an equivalent.

High-Performance Culture

One of the main functions throughout 2019 included the effective coordination of the performance management framework. The performance management tool is founded on two main domains, namely the MGA's values and the departmental goals. It is understood that employees must embody the values incorporated within the Authority's mission statement to ensure alignment in operations. In this regard, the Human Resources (HR) Team made sure that this process was well-communicated and that the people were trained to manage this process efficiently. This ensured that the system was fine-tuned to meet the organisational needs and that the ethical values of fairness and transparency within the performance management process were in place.

The Authority recognises the importance of training and development, as both are an investment in the employees, as well as a direct influence on the productivity of the

workforce. Following a Training Needs Analysis carried out with its employees, the HR Team successfully coordinated various training programmes aimed at enhancing the employees' interpersonal and technical skills and increasing their technical knowledge and personal development. The full list of the training courses, conferences, workshops, and seminars can be found in Appendix 1.

Improving the MGA's Employer Branding

Employee experience is recognised as one of the fastest-growing disciplines within the HR sphere worldwide. As a regulator of an extremely fast-paced and dynamic industry, the MGA recognises the importance of continuously improving its employees' experience to ensure that the Authority retains its key talent and develops future leaders while attracting high-calibre employees to its talent pool.

One of the key areas is the immediate improvement of the employees' experience, starting from their first days with the Authority. To this end, the MGA is investing in preboarding, onboarding, and induction strategies that immediately project the experience that the MGA wants to transmit to its prospective employees. The MGA is all about

a high-performance culture while ensuring a positive work experience.

Another area that the Authority worked on throughout 2019 was the streamlining and improvement of the recruitment process. In this regard, the MGA worked on a competency framework that aims to help the interviewing panel to have a precise indication of the personality traits that are required to successfully fill a particular position.

Quarterly information sessions are held through synergies between various teams within the Authority. Their aim is to ensure that all employees are well-informed of key projects/ achievements while providing a platform for healthy and effective dialogue between employees.

During the year under review, the Authority also engaged in the second edition of the Engagement Survey, in collaboration with Business Leaders Malta. Through this survey, the Authority held an independent analysis of its employees' engagement levels and was also made aware of any areas requiring improvement. With a great sense of pride, the MGA won the Employer of Choice award within its category. While enjoying the success reaped from its efforts,

the Authority is aware that this achievement bestows a degree of responsibility to ensure continuous improvement in the years to come.

Well-being is another area which the HR Unit worked on during 2019. The MGA is aware that professional performance is only possible if personal well-being is in place. In partnership with the Richmond Foundation, the MGA sponsors anonymous counselling sessions that its employees can make use of.

In 2019, the MGA participated in Freshers' week. This has become a fixture in the Authority's yearly calendar, during which the MGA has the opportunity to engage with students in the first week of their academic year. This year's experience was yet again a very positive one, with several students establishing contact with the aim of securing an internship with the Authority. The MGA's employees take an active role in their participation by offering guidance and support to those students who are interested in the Authority's work.





Information Management

The information management function within the Finance and Programme Management Directorate is responsible for the planned and systematic collection of the Authority's and industry's data and the analysis and publication of various reports for both internal and external use. The Information Management (IM) Unit provides the necessary data to support the main initiatives undertaken by the MGA and also serves as a background for any strategic decisions taken by the Authority. The information collected through the bi-annual Industry Performance Return (IPR/Return) assists the Authority in effectively regulating and making informed policy decisions for the gaming industry in Malta, in line with its mission statement. Data collected by the IM Team are used in various internal projects. Such data relate to responsible gambling, financial results, employment, the skills gap, and outsourcing, amongst others. They are also the MGA's main source of information when it comes to any changes within the regulated gambling landscape. Furthermore, the IM Unit strives to provide contextual information to the general public in order to educate all stakeholders on various aspects of gaming and its importance to the Maltese economy. The IM Unit is also responsible for the internal publication of the main Key Performance Indicators.

One of the key accomplishments of the IM Unit in 2019 was the successful launch of the online version of the IPR. A lot of effort was dedicated to this project, in order to facilitate the completion of the Return for operators and ensure that all the MGA's requests are streamlined via the LRMS portal. The online portal allows the inclusion of validation rules, which were designed to ensure that the data entered are clean and correct. This considerably reduces the time spent on

reviewing and clarifying the operators' replies. Apart from the successful launch of the Return, the team also published an extensive Guidance on the Completion of the IPR & FAQs to facilitate the overall process for the operators. The content of the Return was reviewed during late 2019. Some additional questions were included to cater for the MGA's data needs.

During 2019, the IM Team provided an update on the Skills Gap Affecting the Online Gaming Industry in Malta report. This report was published to assist the education sector in obtaining a better understanding of the needs of the online gaming industry. The skills gap data are being collected by the IM Team on a six-monthly basis, in order to monitor the effectiveness of the different initiatives undertaken at the national level and address the existing skills shortage.

The IM Team provides ongoing support to the National Statistics Office in its work concerning official data compilation. In addition, the representatives of the IM Team regularly participate in workshops organised by InfoStat, the GREF's working group on information and statistics, in order to exchange best practices in data collection, research, and analysis.

Offering Support to Players

The Player Support Unit remains one of the most public-facing teams within the Authority. This means that it is able to react to certain trends quickly, as well as be aware of any potential shortcomings that may lead to regulatory breaches. In this sense, the Player Support Unit adds another layer of scrutiny on its licensees, through the immediate internal escalation of regulatory breaches. This ensures proper compliance and safeguards players' interests, thus fulfilling one of the MGA's main strategic objectives, player protection. In line with the

MGA's strategic intents, the Player Support Unit continues to offer timely support to aggrieved players registered on websites licensed by the MGA. It persists in maintaining the Authority's core principles of fairness, transparency, and protection of players while ensuring that the MGA retains reputable and compliant operators who embrace the right values and are able to raise the MGA's profile as a top-tier regulator.

During the 12 months of 2019, the Player Support Unit received a total of 3,565 requests for assistance. By the end of December 2019, the team closed off 3,649 queries, with the latter covering some requests which were still pending from the previous year.

With the substantial increase in the number of new operators during 2019, such operators were deemed to require more guidance in the roll-out phase of their operations. Therefore, the Player Support Unit has taken on an unofficial role by acting as a sounding board for those new operators who seek to be fully compliant, while also ensuring that the level of primary support they offer is effective. The Player Support Unit is always willing to collaborate with gaming companies in order to share best practices, which will ensure high levels of player support. Thus, the need for unnecessary complaint escalations is mitigated.

During 2019, the Player Support Unit was involved in the fine-tuning of the land-based self-barring system, following the recommendation and implementation of suggested improvements. These will continue to enhance the effectiveness of this system when it comes to ensuring that players are fully protected from potential harm. In addition, during 2019, the Player Support Unit collaborated with a number of entities specifically related to the strategic

objectives of combatting crime, ensuring fairness, and protecting vulnerable individuals. The Unit engaged with the Malta Police Force, social agencies, and other player protection entities on a number of occasions. The latter category includes the Responsible Gaming Foundation.



Programme Management

The Programme Management Department (PMD) is a horizontal function within the Authority. It is primarily tasked with managing the change agenda of the MGA via the execution of strategic projects. As a support function, the Programme Management Team assists all functional elements of the Authority by introducing meaningful change for the benefit of better regulation and for the consolidation of the Malta-based gaming industry.

To this effect, the department is entrusted to manage a portfolio of projects in order to enable the organisation to future-proof itself and meet arising challenges. The officials within the PMD are also tasked with offering project management expertise to align functions within the Authority so that projects are implemented within a well-defined scope and the agreed timeframes. The department reports to the CEO and to the Executive Committee through the Chief Officer of the Finance and Programme Management. It operates horizontally across all strata and structures of the MGA through a risk-based approach in order to oversee projects.

During 2019, the Authority consolidated the work done in 2018 by achieving the following key milestones:

- the MGA set out to document its Corporate Strategic Plan for 2020-2022. With the assistance of a local third-party service provider, the MGA organised a series of activities and initiatives whereby different levels of the structures within the organisation were involved in identifying upcoming challenges, as well as generating the focus of the Authority's vision for the foreseeable future. By the end of these initiatives, eight strategic intents grouped over 30 identified projects were documented. This highlights the fact that the MGA is constantly rejuvenating itself to continue being an effective regulator. In turn, this enables Malta to retain its status of destination of choice for reputable gaming operators;
- the provisions of the Gaming Act applicable to the land-based sector came into effect on 1 January 2019. These allowed land-based operators to liaise with the Authority within the provisions of the new law. In turn, a number of online forms were launched on the MGA's portal;
- structures were introduced within the Authority to allow it to pick up significant momentum with work related to commercial communications;
- structures and processes were introduced with a view to lay the foundations for the Authority to start publishing technical standards. These would benefit the Maltese gaming industry and its operators;
- collaborative work was performed by the Authority to assist GamingMalta in launching its Student Placement Programme;
- in collaboration with the technology arm of the Authority, the finance function launched a platform (via the LRMS portal), allowing operators to submit their monthly tax return declaration;
- the IM Unit determined the business requirements for the Authority's IT department to develop an online capability which allows operators to submit their IPR via the portal;
- the MGA continued the implementation of its EARP system in the land-based sector. The year was mainly characterised by the deployment of communication devices on most EGMs residing at casinos and gaming parlours in both Malta and Gozo. In parallel, back-end systems which allow visibility into the relevant gaming activity were also largely implemented. Simultaneously, the legal basis enabling EARP activity was published in December 2019 through an MGA Directive, pursuant to consultation with the land-based operators;
- preparatory work was carried out in terms of generating documentation for the streamlining of the key functions in line with the Gaming Act, for the benefit of the operators licensed with the MGA;
- in the closing months of 2019, the Authority launched an initiative to upgrade its technology platforms which operate its Customer Relationship Management (CRM) portal. This project will see these platforms being transferred from an on-premise location onto the cloud, in order to achieve a long-term vision for technical stability and a sound operative basis; and
- closer collaboration between the Player Support Unit and the Technology Directorate to implement a development on the Authority's portal was noticeable during the latter half of 2019. The aim is to facilitate the periodic reporting of operators on related activities requiring Alternate Dispute Resolution (ADR) in line with the Gaming Act.

Quality Management

The Quality Management Team (QMT) is also a horizontal function, mostly geared to assist the organisation in embracing a culture that generates quality outputs. The team supports and pushes all functional elements to produce quality output and questions them with a view to improving their performance and efficiencies. In doing so, the domino effect would result in improved regulation and service to the operators. To this effect, the QMT strives to enable the MGA to:

- manage a Quality Management System (QMS) that is primarily populated with a network of procedures and processes that represent the operative base of the Authority. In this way, the MGA's outputs are largely dependent on processes rather than on the standards of its individual officials; and
- instil a quality culture trickling from the top, based on the principle of quality-at-source. This should be kept alive through the promotion of the notion of continuous improvement.

In addition, the team is also entrusted with conducting ad hoc thematic studies aimed at intercepting gaps within the operation of the Authority. These should act as a platform to further improve the MGA's role as an effective regulator.

In 2019, the QMT continued servicing the Authority by placing itself in the driving set to:

- educate and raise internal awareness on how to generate quality output through efforts governed by quality-at-source;
- continue promoting a culture of continuous improvement within the Authority;
- continue launching generic as well as thematic templates to promote the standardisation of Authority outputs; and
- exhaust an Authority-wide initiative for the review of over 200 operational policies and procedures to also be inclusive of performance measurement indicators.

Nonetheless, the key highlight performed by the QMT is an internal analytical high-level study on the Authority's portal. The study focused on the usability of the portal and the related user-experience of both front-end as well as back-end users of the said platform.





The Risk Management Function

One of the governing principles under the Gaming Act guides the Authority whilst pursuing its regulatory objectives, namely the governance and supervision of the gaming sector. It states that "regulation shall, where appropriate and possible, use a risk-based approach, so that regulatory objectives are pursued in the most efficient and effective way". To this end, having a well-established, centralised risk management function is of utmost importance. Its aim is to develop and implement a risk management framework that allows for the identification, assessment, monitoring, and reporting of risks, to which the Authority is or could potentially be exposed and which may affect its operations.

The Authority acknowledges the importance of the fast-paced environment which it operates in, as well as the interdependent nature of risk and the impact it can cause if left untreated or inadequately mitigated. In 2019, the Authority took a strategic resolution to set up a standalone Risk Management Unit in order to increase regulatory and institutional efficacy. Risk is the main source of uncertainty in any organisation, and its materialisation can seriously disrupt a business, if not completely eliminate it. Thus, increasing focus on identifying risks and managing them before they even affect the business is key.

The awareness of potential risks and the ability to manage them will help the MGA act more confidently on future decisions whilst providing various options on ways to deal with potential problems. The steps that took place during 2019 were primarily intended to identify the appropriate initial team structure and duties allocated to the various roles within it so that the right candidates with the necessary skill set will be engaged to address the organisation's needs. Moreover, outlining the roadmap for the newly founded risk management function involved the collation of material of prior decentralised risk management efforts within the organisation, as well as the review of work undertaken previously and its translation into an executable strategy and functions.

For the Authority, a risk-based regulatory approach attained through an effective risk management programme can potentially have the following benefits:

- it can contribute to regulatory efficiency by targeting the approach of the Authority when it comes to allocating resources where risk is greatest;
- it can offer systematic improvement in decision-making processes by providing new evidence and insight into potential risk;
- it can provide a solid rationale for decision-making that can withstand external challenge before the Courts or, potentially, by the media; and
- it can assist the Authority in managing institutional risks by conducting its own operations. Regulators face significant consequences of reputational risk if they fail in their regulatory objectives. To be effective, the Authority has to maintain a level of confidence from the public, the gaming sector at large, the Courts, and the Government.

The Technology Support Function

The Technology Directorate holds a central role in ensuring the continued and unhindered running of the Authority's daily activities. In fulfilment to this objective, the Directorate is entrusted with designing, maintaining, and supporting the Authority's information technology infrastructure. Successfully doing so provides the Authority with an opportunity to leverage information and technology in a productive, efficient, and secure manner. The Directorate is made up of three core functions, namely:

- the ICT security and infrastructure function;
- the software development and support function; and
- the data and records management function.

The ICT security and infrastructure function is primarily responsible for safeguarding the IT infrastructure, edge devices, networks, and data by always keeping abreast with new technologies and implementing the latest solutions. The MGA proactively implements security measures and controls within the Authority, making sure that the systems and services are active, in good health, and available to both employees and licensed operators.

The software development and support function is predominantly responsible for all in-house software development projects which are to be utilised by both internal officers and external users.

The data and records management function is primarily responsible for designing, developing, and modifying data management infrastructure to expedite data analysis and reporting. This function also manages the processing of all documents adhering to the GDPR measures in line with the data retention policy.



The year 2019 saw the Technology Directorate embarking on several projects which further enhanced its role within the Authority. Such projects include the following:

The Licence and Compliance Contribution Report

This is a portal-based report for the monthly reporting of the Licence and Compliance Contribution, which was introduced to the Authority's licensees. Apart from simplifying the process through which MGA licensees declare their gaming revenue, the Licence and Compliance Contribution report also provides internal personnel with a breakdown of the fees due by the respective MGA licensee. The introduction of this report has contributed to increasing regulatory compliance, reducing human error risks, and further improving the efficiency and effectiveness of the collection of compliance contribution.

The Industry Performance Return

This year saw the introduction of a portal-based IPR report, which has facilitated the method of collection of statistical data. Internal reporting tools have also been developed to lessen the burden on internal officers when interpreting and analysing the submitted data.

The B2B Compliance Report

This is a monthly reporting tool for B2B licensees to declare newly established relationships with client stakeholders. This provides the Compliance Directorate with an additional mechanism to effectively fulfil its role of ongoing monitoring and supervision of all operators licensed by the MGA.

The EARP Project and Directive

During the year under review, the Authority continued with the implementation of the Internet of Things (IoT) devices within the EARP Project. As stated earlier, in 2019, the Authority published the EARP (Land-Based) Directive, which establishes the requirements around the application of the Authority's automated reporting system. This is applicable to casinos and controlled gaming premises, as well as providers of critical gaming supplies. Qualifying licensees should ensure that their gaming devices are compliant to this Directive and that the required reports are generated in XML format, according to the data reporting standard indicated in the Directive.

A New Highly Available Infrastructure Solution

In 2019, the MGA upgraded its internal infrastructure to a highly available solution stretched between a cluster of two data centres. This was implemented to keep its core systems available to all stakeholders should one of the sites go down. The two sites are connected via a dark fibre connection which replicates data in real-time, making sure that data are instantaneously copied to both locations as it is being generated.

New Self-Exclusion Features

As part of an ongoing plan to enhance player protection and promote responsible gambling, the Authority implemented several new features to its existing land-based self-exclusion system. These features make the system more user friendly by supporting additional languages while enhancing its security aspect. The fuzzy logic was also improved with the aim of reducing the error rate to the bare minimum. Also, as part of the upgrade, the system's front end and its API can now only be accessed via a secure protocol and can no longer be reached via old, insecure protocols.

Throughout 2019, the Authority has been actively contributing to the CEN/TC 456 on "Reporting in Support of Online Gambling Supervision". This Technical Committee was set up to draft a common reporting standard, including a standard data set across the EU Member States. The need for standardisation was triggered by the European Commission, which requested that all European Member States should have a common reporting data set. The Authority has appointed national experts to assist in the drafting of the standard and provide as much input relating to the gaming data collected in Malta as possible. This standard is set to be completed by March 2020, providing a solid platform for operators and regulators alike, while assisting the EU & EEA regulatory authorities in supervising the conduct of online gaming activities.

Corporate Affairs

The corporate affairs function ensures that the objectives set out by the Authority are duly and effectively reached through the execution of promotional and corporate affairs strategies. It is the promotional and corporate affairs management arm of the Authority. During the year under review, the team was primarily responsible for the MGA's participation in major annual events, such as the ICE Totally Gaming Exhibition, which took place in London, UK, in February 2019, as well as SIGMA, which took place in Malta in November 2019. In addition, the team was tasked with the preparation and execution of events concerning the introduction of the new regulatory regime for the land-based gaming sector in January 2019. The team was also responsible for the preparation and execution of all the events in which the MGA personnel participated in, both locally and internationally. A list of these events can be found in Appendix 1. These include conferences, events, fairs, and expos, each focusing on different thematic areas.





Plan for **2020**

The year 2020 will be key for the Authority. While the MGA will continue to build and consolidate further on what has been commenced during the previous year, it will also roll out the newly documented Corporate Strategic Plan for 2020–2022.

To this end, the projects that are earmarked for its first year will gain traction, allowing the Authority to:

- 👤 protect the Maltese gaming jurisdiction by ensuring that only reputable and compliant operators hold MGA licences;
- 👤 achieve effective right-sizing of authorisation, compliance, and enforcement functions;
- 👤 remain abreast with regulatory and technology developments;
- 👤 provide regulatory guidelines to operators to protect minors and vulnerable players and detect and manage problem gamblers;
- 👤 better safeguard player interests and funds, particularly in case of insolvency;
- 👤 align the organisational structure, processes, and procedures with strategic intents;
- 👤 improve the MGA's public image and foster better relationships with stakeholders; and
- 👤 affect international policy and promote international cooperation.

The year 2020 will see the formation of the MGA's Sports Integrity Unit, which was set up during the third quarter of 2019. The MGA will be looking to build expertise, recruit, and determine the best way to execute the provisions at law relating to suspicious betting reporting. It also aims to establish communication lines with other sporting bodies, as well as assist in the creation of the national platform for a holistic approach towards sports integrity, both in Malta and internationally. In this sphere, the MGA intends to issue a Consultation Paper on Suspicious Betting Reporting Requirements, which will allow the Authority to gather feedback from the relevant stakeholders. This will be done prior to bringing into force the Suspicious Betting Reporting Requirements. The Authority also intends to guide stakeholders on a Suspicious Betting Reporting Mechanism, which will allow its licensees to report suspicious betting in an efficient and effective manner.

Special focus will be given to responsible gambling. The MGA announced some of its goals during the 2019 Responsible Gambling Week. The immediate priority for 2020 will be to update the relevant regulatory framework, namely the Player Protection Directive, based on a study carried out in collaboration with the Nottingham Trent University. To this end, the Policy Directorate will also be reaching out to the industry, as well as other stakeholders, to discuss the future of player protection within the Maltese regulatory framework.

In addition, the Player Support Unit will focus on enhancing the systems through which it interacts with the various players and operators, with the intent of streamlining the complaints process and shortening the resolution times to more acceptable levels. This will be done without compromising the rigour involved in the necessary investigations, making an emphasis on overall efficiency.

The Authority will also be carrying out a revision of the existent regulatory framework in order to identify any areas that require amendments. The Legal and Enforcement Directorate will endeavour to publish guidance notes on the aforementioned regulatory framework so as to provide practical guidance and have a clearer regulatory regime. Plans are also underway to introduce mechanisms that increase the accountability of consultants through an initiative called 'Introducer Licence'.

Updated Technical Standards will be another focus throughout 2020. Starting off with the implementation of the EARP within the land-based gambling market, the MGA will be using a version of the reporting standard developed by the CEN. The MGA contributed to this standard following an engagement by the European Commission. In parallel, the MGA will also be seeking to update its technical standards across the board, including but not limited to information security, certification, and minimum requirements for land-based gaming devices.

Efforts will also be made across all the core areas of the Authority when it comes to the granting of gaming licensing, as well as compliance and enforcement. A number of new electronic services will be rolled out, while current services will be enhanced in line with new technologies and the feedback obtained throughout the past months. From an administrative perspective, the Authorisations Team shall continue to streamline the onboarding process through a risk-based approach, to ensure that licence gaming applications are adequately scrutinised. This must be done in such a way that only fit and proper applicants are awarded the relevant authorisations.

Criminal probity will also be reinforced in terms of carrying out intelligence/profiling reports on high-risk persons, or whoever the MGA deems fit. In terms of enforcement actions, all measures will be taken in light of the principles introduced during the previous year, including a holistic overview of the compliance track record of the authorised person. This will be done while ensuring that all enforcement processes, including investigations and compliance, are fully aligned with developing constitutional jurisprudence.

The Authority needs to ensure that its people hold the necessary skills and resources to meet the strategic objectives.

In this regard, HR efforts will be redirected towards three main areas:

- 👤 fostering a high-performance culture by facilitating the personal and professional development of employees, resulting in a more efficient workforce;
- 👤 ensuring that the Authority maximises employee experience through several touchpoints during the course of their career; and
- 👤 achieving the Authority's right-sizing, thus ensuring that the MGA has adequate resourcing to meet its immediate and long-term objectives.

Such efforts and initiatives will ensure that the Authority retains its focus, while also ascertaining that it remains on track when it comes to achieving its global objective, that of being a serious and reputable regulator to all of its stakeholders, both locally and internationally. The HR team is committed to retain and strengthen the investment in its workforce through training and development, as well as coaching. With the creation of a competency framework and talent mapping, the Authority plans to develop programmes that are aimed at developing its employees' strengths. It will also have an effective succession planning exercise in place.

From a technology perspective, the MGA is committed to keeping abreast with newly emerging technologies in order to ensure that it remains both an attractive and safe option for start-ups and innovators. Regarding the accomplishment of this goal, the Authority is currently undergoing a process through which it will update its Core Information Systems. Upon its completion, the existing systems should be significantly overhauled through the introduction of new core modules. This will occur while allowing for increased productivity, efficiency, flexibility, and most importantly, security.



The Maltese Gaming Industry Statistics for 2019

Preface

The following section introduces the performance of business operators regulated by the MGA during 2019. This is presented in terms of the economic value added, employment, and other results attained by these operators licensed under the Maltese jurisdiction.

A number of changes were effected to this year's report in order to reflect the introduction of the new regulatory framework for the gaming sector in Malta. These new laws became applicable for online gaming operators as of 1 August 2018, whereas land-based operators became subject to them as of 1 January 2019. The new Gaming Act had important implications for the operations of the MGA and its licensees. For instance, the reporting practices implemented by the Authority were changed accordingly. For this reason, some of the variables presented in this assessment do not have comparable data sets from the previous reporting periods. The methodological notes that precede the statistical review present the full details in this regard.

Methodology

1. The following statistics relate to the gaming industry in Malta, which is licensed by the MGA. The sources used for statistical compilation include:

- the IPRs submitted by the MGA's licensees in terms of Article 7(2)(d) of the Gaming Act (Chapter 583 of the Laws of Malta);
- information provided by operators through specific questionnaires and correspondence with the MGA; and
- financial information provided by operators to the MGA.

2. Unless otherwise stated, figures are representative of the position as at the end of December 2019.

3. The data presented in this report are based on the IPRs, which was disseminated amongst all the companies that are licensed by the MGA. In order to collect this data, licensed companies were asked to answer a set of questions pertaining to the Malta-licensed activity. The response rate at the cut-off date for compiling the review was 93%. The remaining data were then estimated by the Authority in order to provide a clear picture of the Maltese gaming industry at the time.

One of the main aims of this research was to acquire an accurate snapshot of the activity being generated by all the companies that are licensed by the MGA. Hence, several imputation methodologies and weighting techniques were adopted to fill in any missing information. In order to ensure better data representation, companies were divided into two groups, namely companies operating with a Business-to-Consumer (B2C) - Gaming Service Licence and those that operate with a Business-to-Business (B2B) - Critical Gaming Supply Licence.

The data collection exercise was followed by a data cleaning process to ensure the consistency of the results. In a number of cases, operators were contacted to clarify their responses. Omitted data were imputed through the appropriate techniques, and the answers to every question were analysed. Initial sample results were grossed up to obtain population data for all Malta-licensed activities through the appropriate weighting techniques.

4. The new regulatory framework replaced the multi-licence system with a system which distinguishes between a B2C licence and a B2B licence, covering different types of activities across multiple distribution channels. In order to provide comparable data sets for the online gaming sector, all licences of a B2C nature under the previous legislative framework, namely Class 1, Class 2, Class 3, and Skill Game B2C, were grouped into the "B2C - Gaming Service Licence" category. Simultaneously, licences containing B2B activity elements, namely Class 4 and Skill Game B2B, were grouped into the "B2B - Critical Supply Licence" category.

5. Under the new licensing regime, operators are no longer required to apply for multiple licences to offer different games, unless they wish to offer both B2C and B2B services. Licensees are only required to apply for the game type approval. The Gaming Act established four game types, as follows:

Type 1 - Games of chance played against the house, the outcome of which is determined by a random generator. These include casino-type games (such as roulette and blackjack baccarat), poker played against the house, lotteries, secondary lotteries, and virtual sports games.

Type 2 - Games of chance played against the house. Rather than being generated randomly, the outcome is determined by the result of an event or competition extraneous to a game of chance. In this case, the operators manage their own risk by managing the odds offered to the player.

Type 3 - Games of chance not played against the house, wherein the operator is not exposed to gaming risk. In this case, revenue is generated by taking a commission or other charge based on the stakes or the prize. This category includes player versus player games, such as poker, bingo, betting exchange, as well as other commission-based games.

Type 4 - Controlled skill games as per Regulation 8 of the Gaming Authorisations Regulations.

6. In view of the replacement of the multi-licence system with a two-licence system, the MGA moved away from the collection of player account data (i.e. the number of active and new active player accounts) by licence type towards the collection of data at the level of the reporting entity.

7. The horizontal approach to the licensing of gaming services also extends to the manner in which such services are subject to taxation. Under the new law, dues are based on the Gaming Revenue (GR) generated by the operators, thus abolishing any dues previously payable as a fixed fee. The new law also caters for the compliance contribution. B2B operators (previous holders of Class 4 and/or controlled skill game B2B licences) pay an annual licence fee in lieu of compliance contributions and gaming taxes.

8. The MGA has moved towards a standardised concept of GR for the computation of the gaming tax and compliance contribution. The gaming operators were requested to submit GR data as defined by the Gaming Licence Fees Regulations (S.L. 583.03) and the Directive on the Calculation of Compliance Contribution (Directive 4 of 2018), instead of Gross Gaming Revenue (GGR).

9. In terms of the compliance contribution figures, the following should be noted:

for the land-based sector (excluding the National Lottery), the compliance contribution for 2019 included the licence fees, levies as well as a 5% consumption tax on customers located in Malta, in line with the Gaming Tax Regulations (S.L. 583.10). For the years 2017 and 2018, the gaming tax and licence fees were reported in line with the relevant regulations;

for the National Lottery, the gaming tax was reported in line with the relevant regulations for the years 2017-2019; and

for online gaming, the compliance contribution for the years 2018 and 2019 included licence fees and a 5% consumption tax on customers located in Malta, in line with the Gaming Tax Regulations (S.L. 583.10). For 2017, the gaming tax and licence fees were reported in line with the Remote Gaming Regulations (S.L. 438.04).

10. The employment figures detailed in this report refer to FTE jobs as at the end of each reporting period provided by the gaming operators (including both land-based and online companies holding B2C and B2B licences) in the IPRs submitted to the MGA. The online gaming figures relate to employees working directly on MGA-licensed activities. The methodology for the collection of the employment figures for the online gaming sector has

been revised as of 2018. For this reason, the employment figures should not be compared with those of previous years since the number of online gaming employees also includes the number of outsourced/self-employed individuals directly engaged by the gaming companies.

11. The contribution of the gaming industry to the Maltese economy relates solely to gambling and betting activities (NACE 92) in accordance with the European industrial activity classifications. At the industry level, gambling and betting activities in Malta comprise land-based casinos, gaming parlours, lotto receivers, the National Lottery operator, and online gaming companies (excluding activities of B2B operators).

12. The statistical figures reported for the previous periods have been revised to reflect any changes reported after their publication.

Introduction

The gaming industry is estimated to have generated €1.6 billion¹ in terms of gross value added in 2019, as shown in Table 1. This represented a 9.6% growth over 2018 when the industry had already increased its gross value added by 11.9%. As a result of this momentum, over the past years, the gaming industry's share in economic activity has increased to 13.3% by 2019. Chart 1 indicates that, excluding public administration, the gaming industry has consolidated its position as the third-largest sector in the economy, exceeding other sectors which were traditionally major economic pillars in terms of size of value added. Furthermore, gaming contributes to the generation of value added through input-output linkages to other major sectors, including professional services, financial and ICT activities, hospitality and catering services, distributive trades, and real estate.

	2017	2018	2019
Number of licences	635	286	298
Number of companies in operation	296	283	294
Gross Value Added (€m)	1,272	1,424	1,561
Employment - full-time equivalent (FTE) jobs	6,673	6,794	7,417
Online	5,861	5,950	6,593
Land-based	812	844	824
Compliance contribution, licence fees, levies, and consumption tax (€m)	65.3	73.9	80.4

TABLE 1: HEADLINE INDICATORS OF GAMING INDUSTRY ACTIVITY

Note: The number of licences, companies in operation (incl. both online and land-based) and employment figures relate to stock as at the end of December and refer solely to MGA licensed entities.

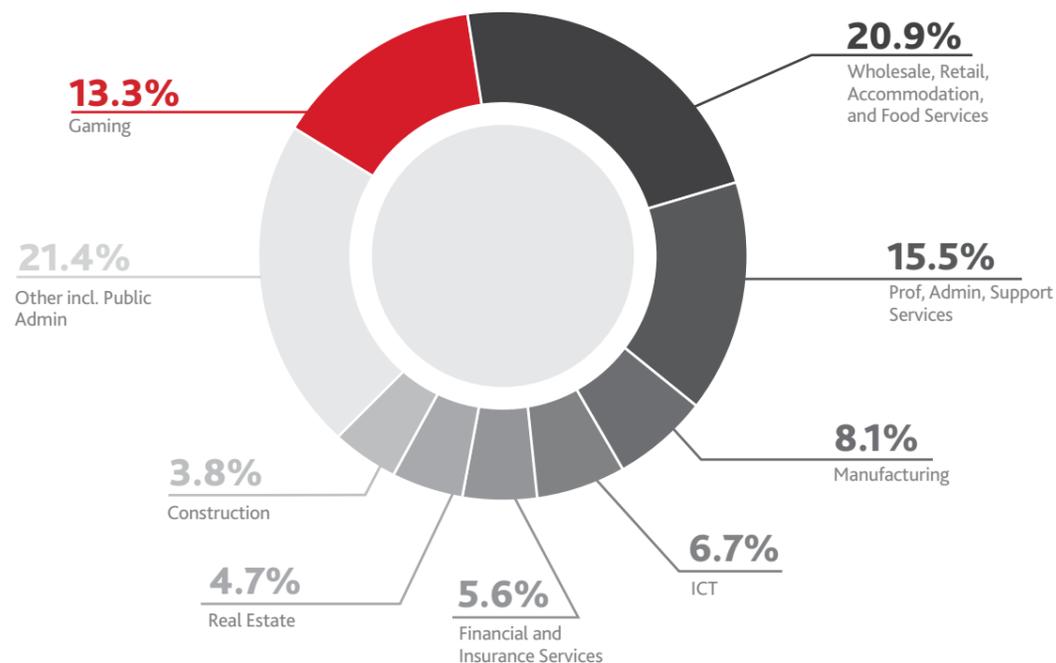


CHART 1: CONTRIBUTION OF THE GAMING INDUSTRY TO VALUE ADDED
SOURCE: NATIONAL STATISTICS OFFICE

The gaming industry directly accounted for just above 7,400 jobs in FTE terms as at the end of 2019. When taking into account employment generated by activities in or associated with the gaming industry, the total employment in the gaming sector in Malta was estimated to be around 11,747 FTE jobs, which is approximately 4.8% of the total economy. The sustained growth in employment further attests to the sector's significant contribution to the Maltese economy.

In 2019, the growth registered by the gaming industry activity in Malta remained significant, both in terms of performance in earlier years as well as in the context of the development of gaming activity globally. This, in part, reflects the development of the Gaming Act, which is repositioning Malta as one of the most forward-looking jurisdictions globally. During 2019, companies based in Malta consolidated their operations towards robust service delivery, quality, and consumer satisfaction, driven by regulatory requirements. Business, in general, also sought to acquire professional skills to enhance marketing activities.

Gaming Industry Outlook

In April 2020, the MGA has conducted a survey with online gaming operators to assess the outlook for this sector in the context of the COVID-19 pandemic which has led to travel and movement restrictions, limited business activity, and the complete halt of major events. The gaming industry is not immune to these changes.

The survey covered 151 B2C operators. Based on the survey results, the aggregate GR is forecasted to drop by 12% in 2020. This is driven primarily by reductions in Type 2 (sports-betting) gaming activities, contrasted but not offset by an increase in GR of Type 1 (casino-type) games. Operators exposed to Type 2 gaming are expected to be worst hit, with the GR during 2020 expected to be around 40% lower than earlier projected. The impact of the COVID-19 pandemic on investment plans appears to mostly involve the postponement of investment on the part of B2C operators.

The revenue of 64 B2B operators participating in the survey is forecasted to be 20% lower than previous budget estimates for 2020 as a result of the COVID-19 pandemic. Furthermore, between 33% to 38% of the operators in this sector are planning to postpone their investment during 2020.

The survey also covered operators engaged in both B2C and B2B activities, who are projecting a 20% drop in GR in 2020 as a result of the COVID-19 pandemic. Furthermore, around 66% of the firms will be postponing investment plans in 2020.

The majority of operators within the different distinct sectors do not plan to change employment levels at this stage. This decision is, however, subject to a high degree of uncertainty, implying that the employment within the sector is sensitive to the outcomes of the pandemic and the support measures taken by the Government. The share of respondents planning a temporary closure of business is negligible.

While this assessment focused on the online gaming sector to better understand the impacts of the COVID-19 event on it, the MGA is fully aware of the highly deleterious impact which the pandemic has produced on the land-based sector. In this context, the Authority is committed to continue holding discussions with the Government to address the specific difficulties that are faced by both the online gaming and land-based sectors.

¹ National Statistics Office.

Gaming Premises - Casinos

There were four licensed casinos operating in Malta during 2019: Dragonara Casino, Portomaso Casino, and Casino Malta located in the central part of the country, and Oracle Casino located in the north.

1. Gaming Premises - Casinos: Game Types

The new licensing regime categorises all games that can be offered by the licensees into four different game types². An operator can offer one or multiple game types. As at the end of 2019, all casino licensees were in possession of an approval to offer Type 1, Type 2, and Type 3 games, as presented in Table 2.

	Type 1	Type 2	Type 3	Type 4
Total	3	3	3	0

TABLE 2: GAMING PREMISES - CASINOS - GAME TYPES

2. Gaming Premises - Casinos: Number of Gaming Devices

As at the end of 2019, the total number of gaming devices in the casinos stood at 954, including 937 slot-type gaming machines and 17 sports betting machines, as shown in Table 3.

	end-2017	end-2018	end-2019
Slot-type gaming devices	900	909	937
Sports betting machines	27	17	17
Total	927	926	954

TABLE 3: GAMING PREMISES - CASINOS - NUMBER OF GAMING DEVICES

3. Gaming Premises - Casinos: New Players' Registrations

Casino operators are required to register every new-to-the-casino player who enters their premises. Throughout 2019, operators reported a total of 175,443 registrations in their establishments, some of which represent multiple registrations by a single player in more than one casino. When compared with 2018, these increased by 18.9% during this reporting period.

	2017	2018	2019
Total	140,825	147,674	175,443

TABLE 4: GAMING PREMISES - CASINOS - NEW PLAYERS' REGISTRATIONS

4. Gaming Premises - Casinos: Players' Visits

The total number of visits to local casinos stood at 940,766 in 2019, a minor increase of 0.7% over the previous year.

	2017	2018	2019
Total	910,202	934,612	940,766

TABLE 5: GAMING PREMISES - CASINOS - PLAYERS' VISITS

² For more information on the game types, please refer to Point 5 of the Methodology.

Junket players

During the period under review, local casinos hosted 1,490 junket players³, 38.1% of whom were in-house junkets, whilst the rest were brought to the casinos by junket leaders.

	2017	2018	2019
Total	1,548	1,419	1,490

TABLE 6: GAMING PREMISES - CASINOS - NUMBER OF JUNKET PLAYERS⁴

5. Gaming Premises - Casinos: Players' Profile

Nationality

The number of visits by non-Maltese individuals increased by 2.3% between 2018 and 2019, accounting for 56.3% of the total visits recorded during the year. The high number of foreign players, characteristic for the casino sector, reflects the growth in tourist arrivals, which in 2019 amounted to 5.9%⁵. The highest number of visits in any month was reported in August, coinciding with the peak of tourist arrivals in Malta during that year. The number of visits by Maltese individuals decreased by 1.4% between 2018 and 2019.

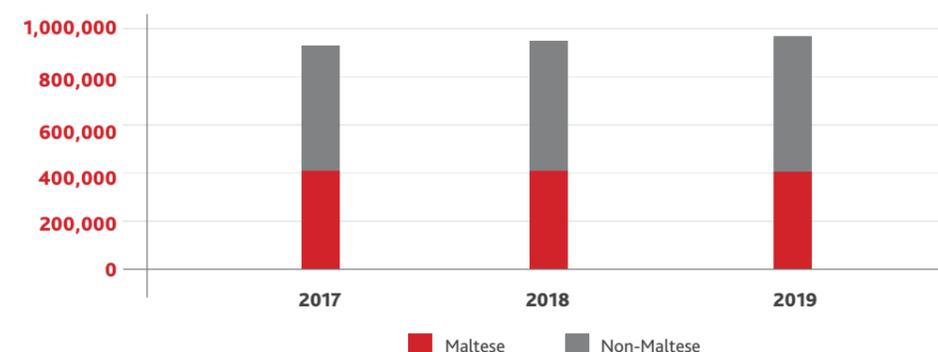


CHART 2: GAMING PREMISES - CASINOS - PLAYERS' PROFILE BY NATIONALITY

Demographic Group

In 2019, persons aged 65 and over continued to constitute the largest demographic category of visitors to the casinos, accounting for around one-third of the total visits. Visitors from the 35–54 age bracket constituted for 26% of the visits, this being the second largest category.

The increase in visitors during 2019 was entirely concentrated in the 65+ age bracket, which reported a 9.4% growth, as shown in Chart 3. Visits by players from the 25–34, 35–54, and 55–64 age brackets declined by 1.2%, 2.2%, and 6.3%, respectively. There was a mere increase of less than 1% in the number of visits by players aged 18–24.



Note: The legal age to enter casinos in Malta is 25 for Maltese and 18 for non-Maltese players.

CHART 3: GAMING PREMISES - CASINOS - PLAYERS' PROFILE BY AGE GROUP DISTRIBUTION

It is worth noting that visits by female players accounted for 43.7% of all visits. This ratio has increased by six percentage points when compared with 2018.

³ The arrangement, the purpose of which is to induce any person residing outside Malta, selected or approved for participation therein, to come to a gaming premises in possession of a concession issued by the Government for the purpose of playing licensable games and pursuant to which, and as a consideration for which, any or all of the costs of transportation, food, lodging, and entertainment for the said person are directly or indirectly paid for by the authorised person operating the gaming premises.

⁴ Figures for 2017–2018 have been revised.

⁵ National Statistics Office, News Release (017/2020), Inbound Tourism: December 2019.

6. Gaming Premises – Casinos: GR

In 2019, the GR generated by the casino sector increased by 9.3% over 2018. Almost all of the GR was generated from Type 1 games, which constituted for 94.8% of the GR generated by the casinos. This was followed by the GR generated from Type 3 (4.1%) and Type 2 (1.1%) games, as shown in Chart 4.

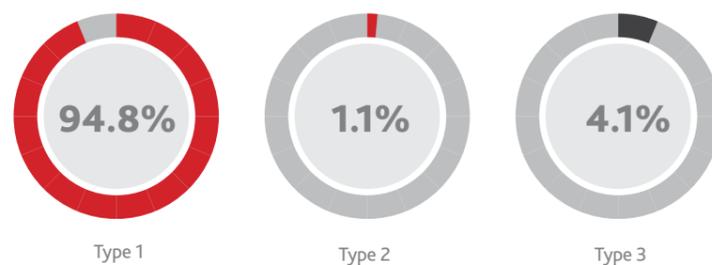


CHART 4: GAMING PREMISES - CASINOS - GR DISTRIBUTION BY GAME TYPE

The last two years were also characterised by an increase in junket activity. In 2019, junkets accounted for 10.6% of the total GR reported by the local casinos.

Average GR per Visit

The average GR per visit rose from €50.7 in 2018 to €55.1 in 2019, as shown in Table 7. This is in line with the rate of price inflation, which in 2019 stood at 1.5%⁶.

	2017	2018	2019
Total [€]	49.7	50.7	55.1

TABLE 7: GAMING PREMISES - CASINOS - AVERAGE GR PER VISIT

7. Gaming Premises - Casinos: Compliance Contribution

On 1 January 2019, the Gaming Licence Fees Regulations (S.L. 583.03) became applicable to casino operators. Such regulations brought changes to the computation of gaming tax by introducing the concept of the commercial contribution fee⁷. During the first year of the inception of the new law, the MGA collected a total of €17.4 million in dues (including compliance contribution, licence fees, levies, as well as a 5% consumption tax on customers located in Malta) owed from the casino operators.

	2017	2018	2019
Total [€]	17,319,148	17,581,552	17,403,045

TABLE 8: GAMING PREMISES - CASINOS - COMPLIANCE CONTRIBUTION

8. Gaming Premises - Casinos: Employment

As at the end of 2019, the number of FTE direct employees working in the casino sector stood at 582. This represents a decrease of 4.7% from the figure reported as at the end of 2018, as shown in Table 9. This decrease can be explained by the usual fluctuations in the number of staff needed for the major gaming events organised by the casinos.

	end-2017	end-2018	end-2019
Total	584	611	582

TABLE 9: GAMING PREMISES - CASINOS - EMPLOYMENT (FTE)

The proportion of male employees decreased by two percentage points from the levels reported as at the end of 2018, to stand at 58.1% as at the end of 2019. Furthermore, the share of non-Maltese employees at local casinos has been increasing over the last three years. It reached 60% as at the end of 2019, confirming the continued reliance on foreign workforce in the sector.

⁶ National Statistics Office, News Release (007/2020), Harmonised Index of Consumer Prices (HICP): December 2019.

⁷ For more information on the compliance contribution, please refer to Points 8 & 9 of the Methodology.



Controlled Gaming Premises

1. Controlled Gaming Premises: Number of Outlets

By the end of 2019, the number of approved controlled gaming premises⁸ in Malta totalled 56. They are spread across 30 localities in Malta and Gozo. The highest number of outlets are located in the Southern Harbour and Northern Harbour Districts (as defined in Appendix 2), which have 22 and 18 approved premises, respectively. These regions also feature a relatively high population value and density, and a significant commercial activity that is also of a touristic nature. A new gaming operator started its operations in May 2019 by opening two outlets during the first half of the year.

There are no specific limits when it comes to controlled gaming premises per locality. However, the Authority ensures that approvals of licences and premises are in line with legal restrictions to safeguard and protect minors and the general public.

Table 10 presents the number of controlled gaming premises per operator.

	end-2017	end-2018	end-2019
Gaming Operations Ltd	29	30	32
Bestplay Gaming Ltd	7	7	7
Media Games Malta (EU) Ltd	5	5	5
Fairbet Ltd	7	5	5
Bingo Ltd	4	4	4
SmartBet Operations Ltd	-	1	1
Meridian Gaming Ltd	-	-	2
Total	52	52	56

TABLE 10: CONTROLLED GAMING PREMISES - NUMBER OF OUTLETS

2. Controlled Gaming Premises: Game Types

As at the end of 2019, all controlled gaming premises licensees were in possession of an approval to offer Type 1 and Type 2 games⁹. Furthermore, some operators were in possession of Type 3 approvals, as presented in Table 11.

	Type 1	Type 2	Type 3	Type 4
Total	7	7	2	0

TABLE 11: CONTROLLED GAMING PREMISES - GAME TYPES

3. Controlled Gaming Premises: Number of Gaming Devices

The number of licensed gaming devices has increased from 416 in 2018 to 474 in 2019. This brought the average number of gaming devices per outlet to 8.5, which is in line with the regulations limiting the number of devices per outlet to no more than 10. The increase in devices registered in 2018 mainly resulted from the opening of additional outlets.

⁸ Controlled gaming premises are premises intended to host or operate one or more gaming devices. These do not include premises in which gaming is carried out in virtue of a concession by the Government, or premises in which the only gaming that is carried out consists of tombola games.

⁹ For more information on the game types, please refer to Point 5 of the Methodology.

Table 12 presents the number of licensed gaming devices per operator.

	end-2017	end-2018	end-2019
Gaming Operations Ltd	223	246	280
Bestplay Gaming Ltd	59	59	59
Media Games Malta (EU) Ltd	38	40	48
Fairbet Ltd	41	37	40
Bingo Ltd	40	30	26
SmartBet Operations Ltd	-	4	4
Meridian Gaming Ltd	-	-	17
Total	401	416	474

TABLE 12: CONTROLLED GAMING PREMISES - NUMBER OF GAMING DEVICES

4. Controlled Gaming Premises: Players' Visits

The number of visits to controlled gaming premises rose by 8.5% in 2019, to stand at 799,420. This was underpinned by the increase in the number of outlets and devices. It is also consistent with the ongoing demographic expansion in the country, fuelled in good part by immigration, as well as the growth in tourist arrivals.

	2017	2018	2019
Total	564,090	736,662	799,420

TABLE 13: CONTROLLED GAMING PREMISES - NUMBER OF VISITS

Number of visits by locality

For statistical purposes, the Maltese Islands are divided into six districts, namely Southern Harbour, Northern Harbour, South Eastern, Western, Northern, and Gozo and Comino (see Appendix 2).

Out of all player visits registered in 2019, one-third took place in the Southern Harbour District. This district has the highest number of outlets (22). This observation is also consistent with the patterns of earlier years. In fact, between 2018 and 2019, visits to controlled gaming premises grew in each district. The largest growth rates were reported for the South Eastern and Northern Districts, at 16.7% and 15.3%, respectively.

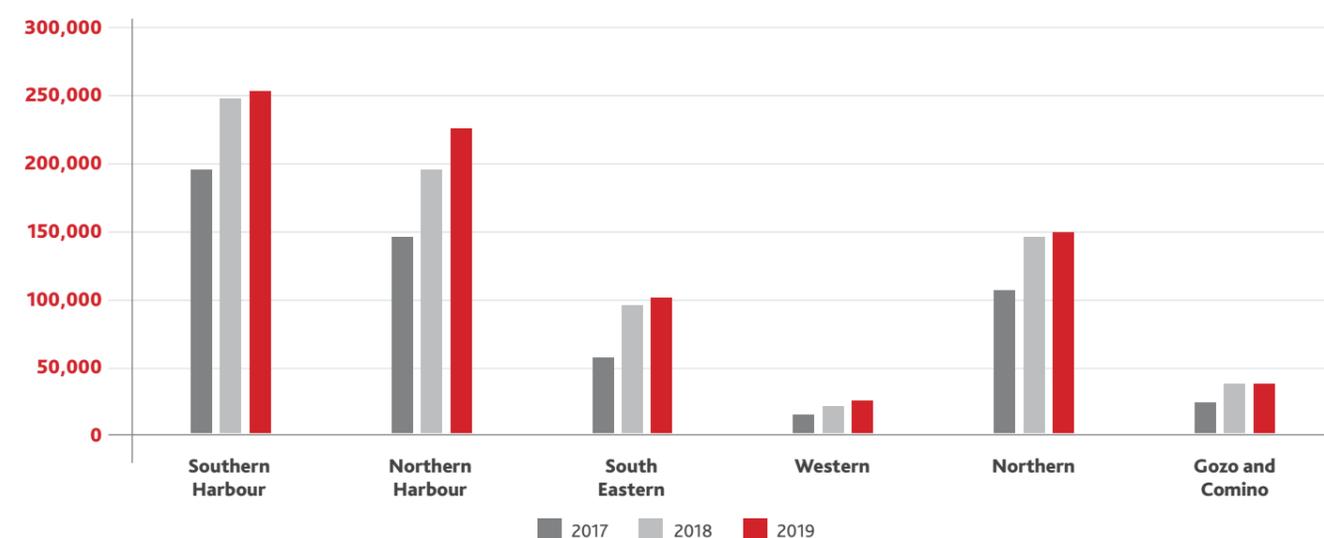


CHART 5: CONTROLLED GAMING PREMISES - NUMBER OF VISITS BY DISTRICT

5. Controlled Gaming Premises: New Players' Registrations

Throughout 2019, there were a total of 8,804 new registrations at the controlled gaming premises. This number was significantly lower than those registered over the past years, as shown in Table 14. On average, each operator registered 1,258 players during 2019.

	2017	2018	2019
Total	12,145	12,561	8,804

TABLE 14: CONTROLLED GAMING PREMISES - NEW PLAYERS' REGISTRATIONS

6. Controlled Gaming Premises: Player's Profile

Nationality

Visits by non-Maltese players rose by 18%, accounting for 42.4% of the total visits to controlled gaming premises in 2019. The number of visits by Maltese players also grew but at a much more subdued rate of 2.4% year-on-year.

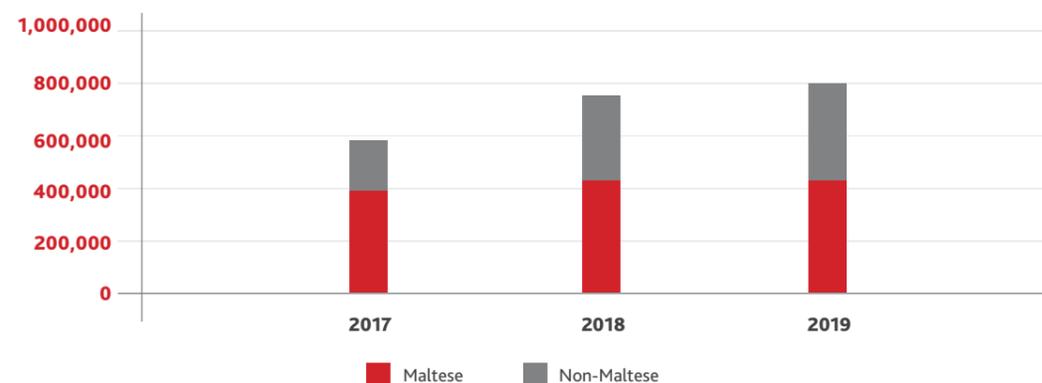


CHART 6: CONTROLLED GAMING PREMISES - PLAYERS' PROFILE BY NATIONALITY

Demographic Group

The growth in visits to controlled gaming premises in 2019 was observed across all age categories. The highest increase in visits was registered for players in the 35–54 and 55–64 age brackets, at 10.6% and 11.5%, respectively.

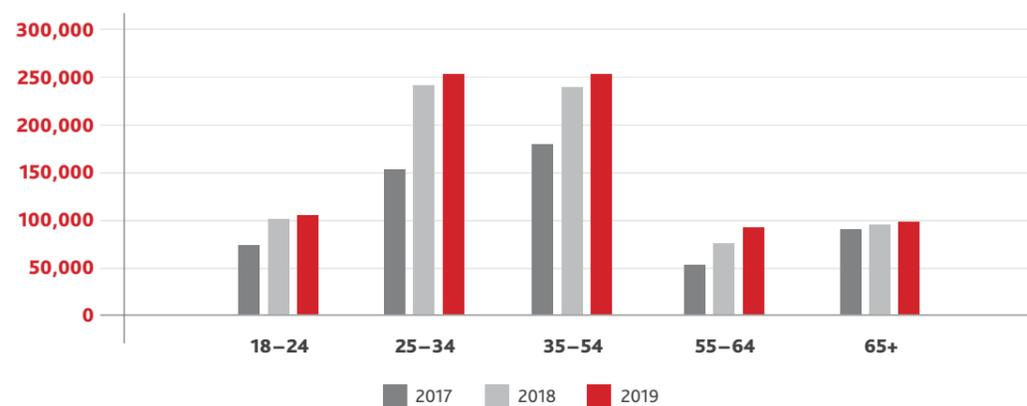


CHART 7: CONTROLLED GAMING PREMISES - PLAYERS' PROFILE BY AGE GROUP DISTRIBUTION

In particular, controlled gaming premises are mostly popular with males, whose visits accounted for 90% of the total visits registered in 2019.

7. Controlled Gaming Premises: GR

In 2019, 58.4% of the GR was generated from Type 1 games, followed by Type 2 (39.2%), and Type 3 (2.4%) games.

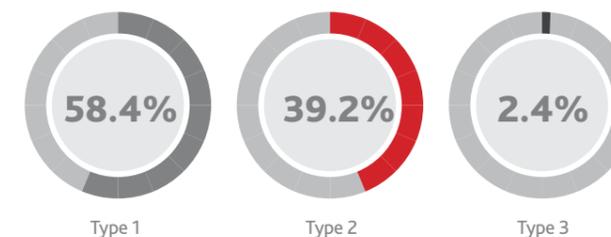


CHART 8: CONTROLLED GAMING PREMISES - GR DISTRIBUTION BY GAME TYPE

Average GR per Visit

During the year under review, the average GR per visit to controlled gaming premises stood at €16.6.

	2017	2018	2019
Total [€]	14.6	10.9	16.6

TABLE 15: CONTROLLED GAMING PREMISES - AVERAGE GR PER VISIT

8. Controlled Gaming Premises: Compliance Contribution

On 1 January 2019, the Gaming Licence Fees Regulations (S.L. 583.03) became applicable to controlled gaming premises operators. Such regulations brought changes to the computation of gaming tax by introducing the concept of the commercial contribution fee¹⁰. During the first year of the inception of the new law, the MGA collected a total of €3.2 million (including compliance contribution, licence fees, levies, as well as a 5% consumption tax on customers located in Malta) from the operators of controlled gaming premises.

	2017	2018	2019
Total [€]	2,718,865	2,826,733	3,228,577

TABLE 16: CONTROLLED GAMING PREMISES - COMPLIANCE CONTRIBUTION

9. Controlled Gaming Premises: Employment

The number of FTE direct employees working in the controlled gaming premises licensed by the MGA increased by 15.2% during 2019, reaching a total of 144. This increase is mainly due to the opening of new outlets by a new operator in the gaming parlour sector.

	end-2017	end-2018	end-2019
Total	117	125	144

TABLE 17: CONTROLLED GAMING PREMISES - EMPLOYMENT (FTE)

The ratio of non-Maltese employees increased by seven percentage points to 17%. However, the share of Maltese workers continued to account for the vast majority of all employees in the controlled gaming premises. The gender balance remained comparable to that reported in December 2018, with 64.9% being male employees.

¹⁰ For more information on the compliance contribution, please refer to Points 8 & 9 of the Methodology.

Gaming Premises - Commercial Bingo

1. Gaming Premises - Commercial Bingo: Number of Establishments

Three commercial bingo halls were operational during the entire period under review; namely in Birkirkara, Qawra, and Paola. Additionally, an outlet in Valletta was open only during the first week of January. The bingo hall in Sliema was closed permanently in May 2018.

2. Gaming Premises - Commercial Bingo: Game Types

As at the end of 2019, all commercial bingo licensees were in possession of an approval to offer solely Type 3 games¹¹.

3. Gaming Premises - Commercial Bingo: New Players' Registrations

Throughout 2019, the commercial bingo sector reported 2,887 new registrations, 13% less when compared with 2018. The lower number of registrations resulting from the closure of two bingo outlets had already been noted in the second half of 2018.



CHART 9: GAMING PREMISES - COMMERCIAL BINGO - NEW PLAYERS' REGISTRATIONS

4. Gaming Premises - Commercial Bingo: Players' Visits

In 2019, the number of players' visits to commercial bingo halls decreased by 7% due to the closure of two outlets (that were still operational in 2018). The combined players' visits to the operational outlets in Birkirkara, Qawra, and Paola rose by 5% between 2018 and 2019.

	2017	2018	2019
Total	180,780	179,172	166,562

TABLE 18: GAMING PREMISES - COMMERCIAL BINGO - NUMBER OF VISITS

5. Gaming Premises - Commercial Bingo: Players' Profile

Nationality

Visits to commercial bingo halls were predominantly made by Maltese residents, constituting 97.2% of the total visits reported during the year under review. Additionally, visits by non-Maltese decreased by a substantial 36.7% when compared with 2018.

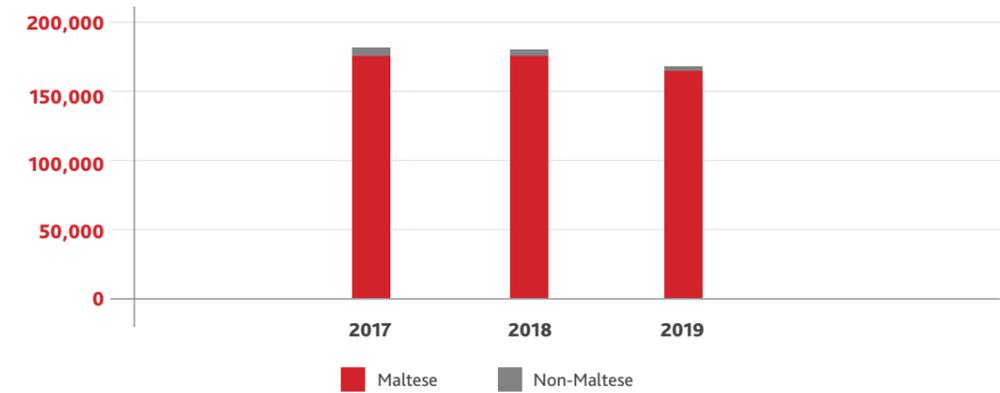


CHART 10: GAMING PREMISES - COMMERCIAL BINGO - PLAYERS' PROFILE BY NATIONALITY

Demographic Group

In 2019, visits by players aged 65 years or over continued to represent the highest share (62.3%) of the total visits registered by the commercial bingo sector, increasing by a further 2.2% between 2018 and 2019. The number of visits by players within the 18–24 age category also increased by 18%. On the other hand, the visits of players falling within the 25–34, 35–54, and 55–64 age groups declined by 25.6%, 23.5%, and 17.2%, respectively.

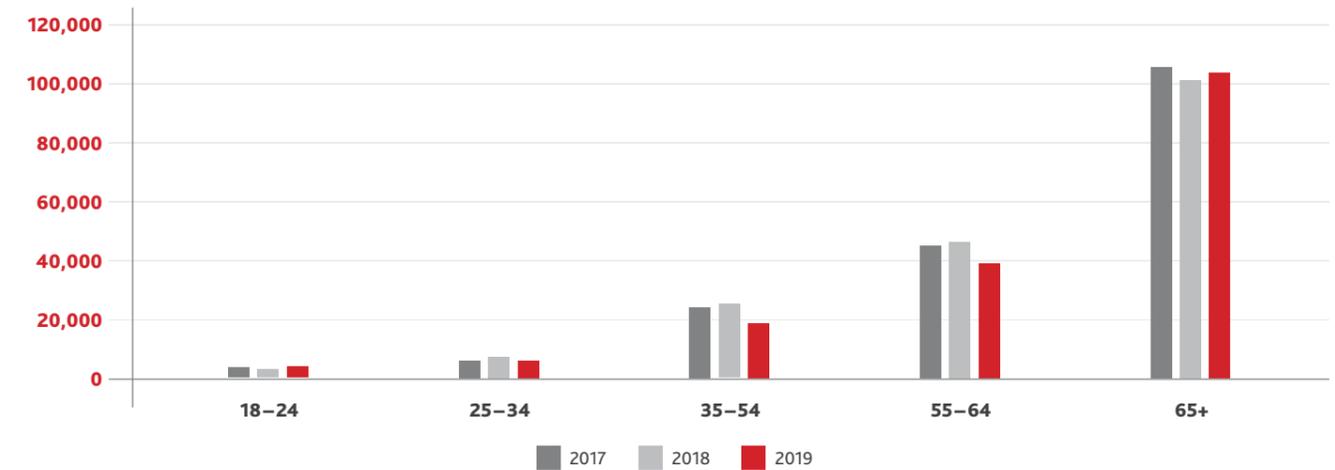


CHART 11: GAMING PREMISES - COMMERCIAL BINGO - PLAYERS' PROFILE BY AGE GROUP DISTRIBUTION

The gender balance remained nearly unchanged from that reported for 2018 and 2019, with 87% of the visits being made by women.

6. Gaming Premises - Commercial Bingo: GR

The GR of the commercial bingo sector¹² decreased by 8.4%, between 2018 and 2019, mainly due to the closure of outlets.

Average GR per Visit

The average GR generated by the commercial bingo sector decreased from €13.4 in 2018 to €13.2 in 2019.

	2017	2018	2019
Total [€]	10.7	13.4	13.2

TABLE 19: GAMING PREMISES - COMMERCIAL BINGO - AVERAGE GR PER VISIT

¹¹ For more information on the game types, please refer to Point 5 of the Methodology.

¹² The GR of the commercial bingo sector has been revised to include the extra prizes given out by the operators that are now included in the total winnings.

7. Gaming Premises - Commercial Bingo: Compliance Contribution¹³

On 1 January 2019, the Gaming Licence Fees Regulations (S.L. 583.03) became applicable to the commercial bingo operators. Such regulations brought changes to the computation of gaming tax by introducing the concept of the commercial contribution. During the first year of the inception of the new law, the MGA collected a total of €448,353 by way of dues (including compliance contribution, licence fees, levies, as well as a 5% consumption tax on customers located in Malta) owed from the bingo hall operators, in terms of the applicable legislation.

	2017	2018	2019
Total [€]	725,922	808,486	448,353

TABLE 20: GAMING PREMISES - COMMERCIAL BINGO - COMPLIANCE CONTRIBUTION

8. Gaming Premises - Commercial Bingo: Employment

The number of employees within the commercial bingo sector continued to decrease in 2019. As at the end of the year, the bingo sector directly employed 40 FTE employees.

	end-2017	end-2018	end-2019
Total	44	42	40

TABLE 21: GAMING PREMISES - COMMERCIAL BINGO - EMPLOYMENT (FTE)

As at December 2019, 75.5% of all commercial bingo halls employees were female. This represents an increase of 3.3 percentage points when compared to the figures reported as at the end of 2018. The ratio of Maltese nationals employed in the bingo sector decreased to 83.7%, 3.4 percentage points less when compared with the year-end 2018.

¹³ For more information on the compliance contribution, please refer to Points 8 & 9 of the Methodology.



National Lottery

1. National Lottery: Turnover by Game Category

In 2019, the total activity of the National Lottery operator, Maltco Lotteries Limited (Maltco), stood at €96 million, in line with the sales recorded for 2018. This is measured in terms of sales across three game categories, namely draw-based games, instant games, and sports games.

Draw-based games are the largest source of turnover, growing consistently in 2017, but slowing down to a 0.7% increase in 2019. Sales for sports games, including both fixed odds and pari-mutuel betting, reported a decrease of 4.6% during the year. At the same time, sales for instant games dropped by 7.6%.

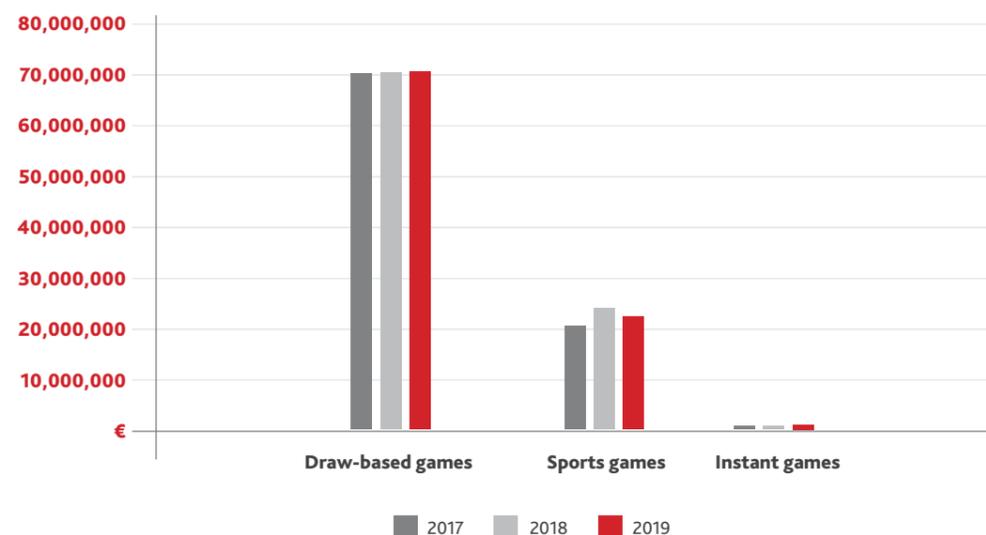


CHART 12: NATIONAL LOTTERY - TURNOVER BY GAME
SOURCE: MALTCO LOTTERIES LIMITED

In 2019, sales of draw-based games accounted for 74.2% of Maltco's total sales, one percentage point more when compared with 2018. Sports games decreased their share from 25.1% in 2018 to 24.1% in 2019. Meanwhile, instant games represented 1.7% of sales, in line with the levels reported in 2018.

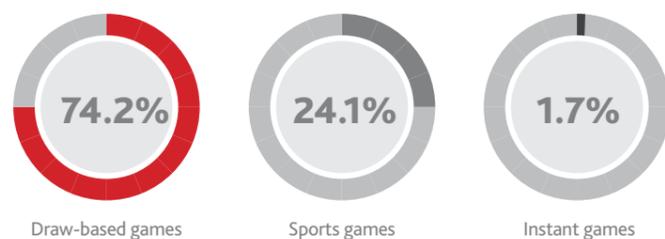


CHART 13: NATIONAL LOTTERY - TURNOVER BY GAME
SOURCE: MALTCO LOTTERIES LIMITED

2. National Lottery: Gaming Tax¹⁴

During the year under review, the total gaming tax payable by the National Lottery licensee stood at €11.9 million.

	2017	2018	2019
Total [€]	12,813,404	12,722,515	11,923,090

TABLE 22: NATIONAL LOTTERY - GAMING TAX

Maltco's Contribution to the Social Causes Fund

In addition to the gaming tax, Maltco contributes to the Social Causes Fund (according to law and concession conditions). During 2019, Maltco passed €712,205 on to this Fund.

	2017	2018	2019
Total [€]	685,083	690,869	712,205

TABLE 23: NATIONAL LOTTERY - CONTRIBUTION TO THE SOCIAL CAUSES FUND

3. National Lottery: Points of Sale

Maltco offers its services through an extensive network of lotto booths (points of sale), where one can participate in games. By the end of 2019, the number of points of sale reached a total of 215 outlets spread across the Maltese Islands.

	end-2017	end-2018	end-2019
Total	236	220	215

TABLE 24: NATIONAL LOTTERY - POINTS OF SALE



¹⁴For more information on gaming tax, please refer to Points 8 & 9 of the Methodology.

Other Games

Low-Risk Games

The new regulatory framework classifies non-profit games, commercial communication games, and limited commercial communication games as low-risk games, as per the Fifth Schedule of the Gaming Authorisations Regulations (S.L. 583.05). Low-risk games require a permit which is only valid for a singular event and expires once the event is concluded.

Non-Profit Games

A non-profit game is a licensable game wherein the stake cannot exceed €5 per player. In this case, over 90% of the net proceeds are forwarded to an entity with a charitable, sporting, religious, philanthropic, cultural, educational, social, or civic purpose. During 2019, the MGA issued 21 permits for non-profit lotteries and 1,535 permits for non-profit tombolas.

	2017	2018	2019
Non-profit lottery	54	33	21
Non-profit tombola	2,129	2,063	1,535

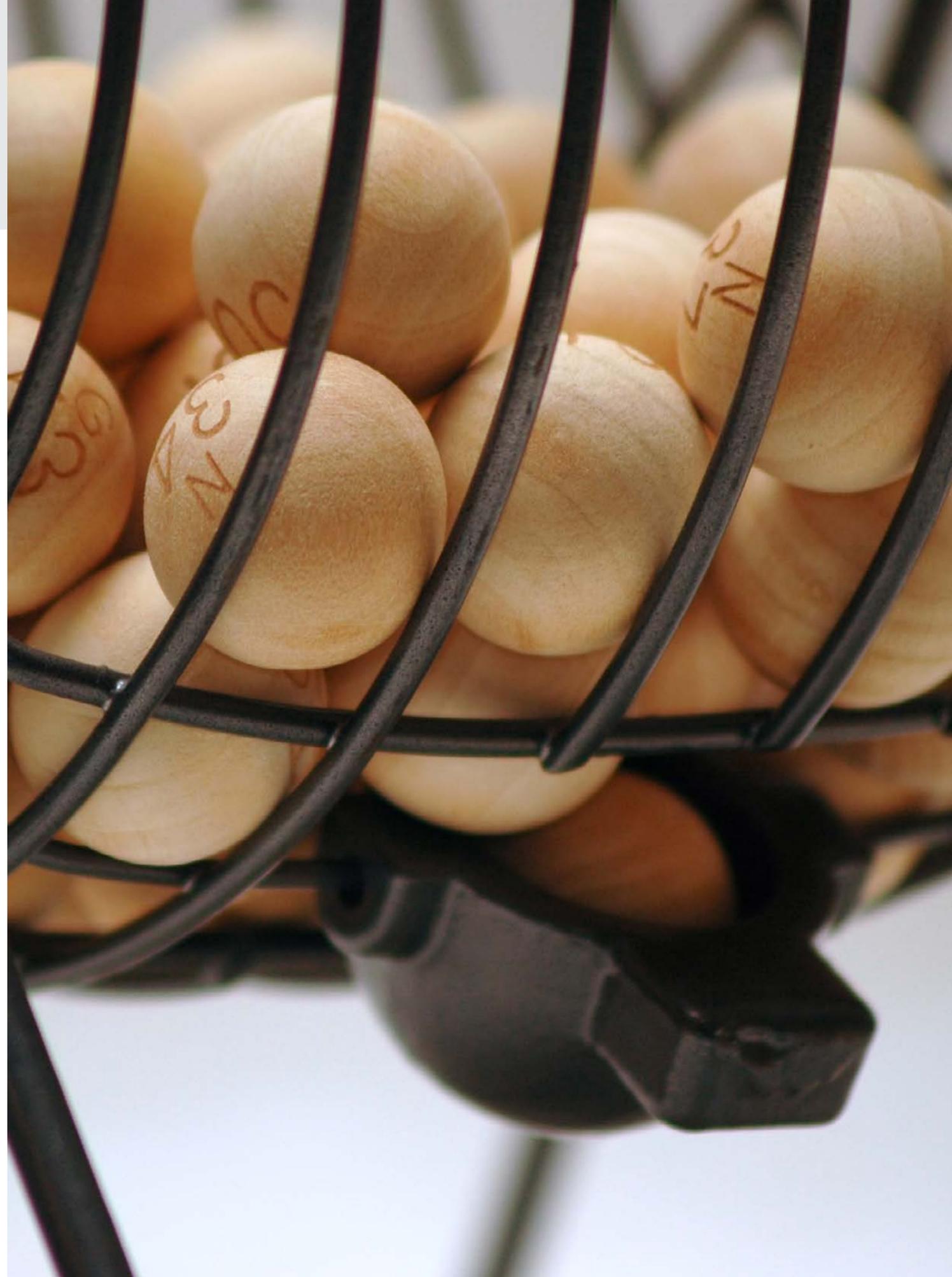
TABLE 25: NON-PROFIT GAMES - PERMITS ISSUED

Commercial Communication Games

A commercial communication game is a game that does not cumulatively exceed €100,000 in prizes during any calendar month. Such a game cannot exceed €500,000 during any calendar year. The game is organised with the purpose of promoting or encouraging the sale of goods or services and does not constitute an economic activity in its own right. Any payments required from the participant serve only to acquire the promoted goods or services and not to participate in the game. However, an exception may be made when a person must purchase the promoted goods or services in order to participate in the game. In 2019, the MGA issued 22 certificates for commercial communication games.

Limited Commercial Communication Games

A limited commercial communication game includes a stake and a prize. For the game to qualify as a limited commercial communication game, the value of the stake cannot exceed €2 per player. As at the end of December 2019, the MGA neither received nor issued any permits for such games.



Online Gaming

1. Online Gaming: Key Figures

In line with the new licensing system, operators who are already in possession of a Gaming Service Licence¹⁵ or Critical Gaming Supply Licence and wish to offer an additional type of game are now required to apply for the necessary approval. This replaces the requirement to apply for an additional licence. As a result, fewer applications for a gaming licence are being submitted to the Authority. This was already apparent in the lower number of applications received in the second half of 2018. In 2019, the total number of applications received stood at 89, of which 53% were submitted for B2B - Critical Supply Licence.

Throughout 2019, a total of 44 applications were either rejected or withdrawn by the applicants. The number of licences issued stood at 53 for 2019, 54.7% of which were issued for B2B-related activities. During the year under review, 12 licences were terminated at the operators' requests. Additionally, the Authority's Enforcement Unit suspended 11 licences and cancelled another 14 due to regulatory breaches.

	2017	2018	2019
Applications			
New Gaming Licence Applications (Note 1)	220	209	89
Rejected/Withdrawn Gaming Licence Applications (Note 2)	10	40	44
Licences			
Gaming Licences Issued (Note 3)	165	93	53
Terminations of Gaming Licences (Note 4)	38	37	12
Cancelled Licences	3	8	14
Suspended Licences	5	4	11

TABLE 26: ONLINE GAMING - KEY FIGURES

Note 1. The number of new gaming licence applications for the year 2017 and for the period 1 January to 31 July 2018 are reported in line with the multilicence system under the previous legislative framework. All applications received after the 1 August 2018 are reported in line with the two-licence system. The multiple applications submitted by the same operator were grouped into one licence application depending on whether they contained B2C or B2B activity element.

Note 2. The number of rejected/withdrawn applications for the year 2017 and for the period 1 January to 31 July 2018 are reported in line with the multilicence system under the previous legislative framework. All applications rejected/withdrawn after the 1 August 2018 are reported in line with the two-licence system. The multiple applications rejected/withdrawn by the same operator were grouped into one application depending on whether they contained B2C or B2B activity element.

Note 3. The number of new gaming licences for the year 2017 and for the period 1 January to 31 July 2018 are reported in line with the multilicence system under the previous legislative framework. All licences issued after the 1 August 2018 are reported in line with the two-licence system.

Note 4. The number of terminated licences for the year 2017 and for the period 1 January to 31 July 2018 are reported in line with the multilicence system under the previous legislative framework. All licences terminated after the 1 August 2018 are reported in line with the two-licence system.

2. Online Gaming: Number of Companies

As at the end of 2019, the number of gaming companies offering online services stood at 284. This is shown in Table 27. The new Gaming Act introduced the concept of a corporate group licence, which allows multiple companies to be covered by one group licence. Entities falling under a corporate licence are jointly considered to be one licensed entity by the Authority. For the purposes of these statistics, such entities are considered to be one operating company. Twenty-three companies hold corporate group licences, with a total of 86 entities forming part of the respective groups.

	2017	2018	2019
No. of companies	287	273	284
Additional companies falling under the Corporate Group Licence	N/A	17	86

TABLE 27: ONLINE GAMING - NUMBER OF COMPANIES

¹⁵ The Gaming Act establishes two (2) classes of gaming licences, as follows: (1) the Gaming Service Licence, which is a business-to-consumer (B2C) licence to offer or carry out a gaming service, and (2) the Critical Gaming Supply Licence, which is a business-to-business (B2B) licence to provide or carry out a critical gaming supply.

3. Online Gaming: Distribution of Licences by Category

Due to the introduction of the new licensing regime (which became applicable for online gaming operators as of 1 August 2018), the number of gaming companies and licences are more aligned as the operators do not require multiple licences to offer different games. This applies unless they wish to offer both B2C and B2B services. As at the end of 2019, the B2C group of licences accounted for 68% of the total licence base.

Out of the 23 corporate group licences issued up to the end of 2019, 14 were issued for B2C-related operations whilst the remaining nine were for B2B-related activity.

	2017	2018	2019
B2C - Gaming Service Licence	554	207	195
- of which are the B2C - Corporate Licences	N/A	6	14
B2B - Critical Supply Licence	71	68	92
- of which are the B2B - Corporate Licences	N/A	3	9

TABLE 28: ONLINE GAMING - DISTRIBUTION OF LICENCES BY CATEGORY

Note: For 2016 and 2017, all licences which contained B2C activity elements, namely Class 1, Class 2, Class 3, and Skill Game B2C, were grouped into the "B2C - Gaming Service Licence" category whilst the licences containing B2B activity elements, namely Class 4 and Skill Game B2B, were grouped into the "B2B - Critical Supply Licence" category.

4. Online Gaming: Distribution of B2C Licences by Game Types

The new licensing regime categorises all the games that can be offered by the licensees into four different game types. An operator can offer one or multiple game types. By the end of 2019, the vast majority of B2C operators were in possession of an approval to offer Type 1 and Type 2 games, as presented in Table 29.

	end-Dec 2018	end-Dec 2019
Type 1	132	152
Type 2	100	118
Type 3	37	41
Type 4	10	12

TABLE 29: ONLINE GAMING - B2C - GAME TYPES

5. Online Gaming: Customer Accounts

Active Player Accounts

The number of active player accounts¹⁷ registered on the websites licensed by the MGA grew by 12.6%, from 18.1 million in 2018 to 20.4 million in 2019.

	2017	2018	2019
Total	13,994,330	18,138,064	20,418,459

TABLE 30: ONLINE GAMING - ACTIVE PLAYER ACCOUNTS

New Active Player Accounts

The increase in the number of new registrations reflected the expansion in new player accounts¹⁸, as shown in Table 31. The yearly number of new active player accounts reached 13.8 million in 2019, resulting in an 11.7% growth year-on-year.

	2017	2018	2019
Total	9,671,378	12,350,484	13,797,091

TABLE 31: ONLINE GAMING - NEW ACTIVE PLAYER ACCOUNTS

¹⁶ For more information on the game types, please refer to Point 5 of the Methodology.

¹⁷ Active accounts are defined as those accounts belonging to customers who played at least once during the year under review.

¹⁸ New active customer accounts are those accounts on which customers played for the first time ever with the company licensed by the MGA during the year under review.

6. Online Gaming: Players' Profile

Demographic Group

Over the past three years, players within the 25–34 age group constituted the largest category of online gaming players. These accounted for 39.1% of all customers playing on the websites regulated by the MGA in 2019. Customers within the demographically wider 35–54 age group constituted 32.5% of the player base. The share of players falling within the 18–24 category remained comparable to those reported for previous years, standing at 20.6% in 2019. Players aged 55 and over continued to account for a minimal share of online gaming activity.

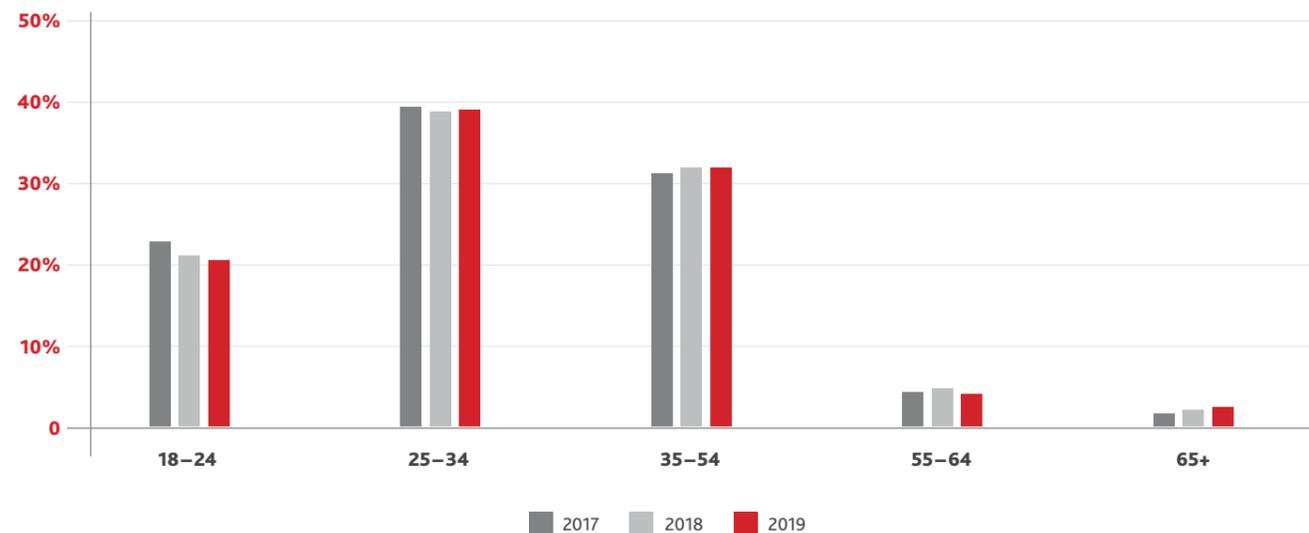


CHART 14: ONLINE GAMING – PLAYERS' PROFILE BY AGE GROUP DISTRIBUTION

Throughout 2019, males continued to constitute the largest category of players, accounting for 75.3% of the total player base.

Deposits as a Method of Payment

In 2019, the most popular method of deposits amongst customers of the MGA's licensed companies were credit/debit cards. This payment method accounted for 28.8% of all deposit methods. Deposits made through bank transfers accounted for 26.9% of all payments, whilst deposits made through e-wallets and online accounts constituted 24.4% of the total deposits. The remaining 19.9% of the payments were made through other methods.

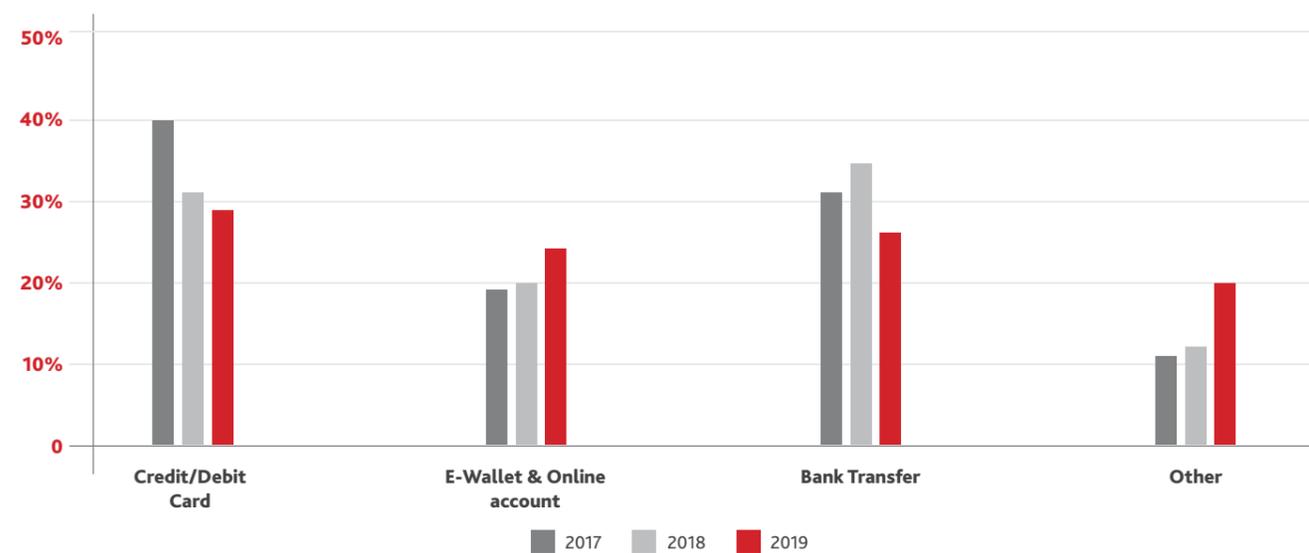


CHART 15: ONLINE GAMING - METHOD OF PAYMENT (DEPOSITS)

Withdrawals as a Method of Payment

During the year under review, 39.7% of all withdrawals were made through bank transfer. Online gaming operators indicated that e-wallet and online accounts and credit/debit cards were the chosen method for 31.6% and 14.3% of the withdrawals, respectively. The remaining 14.4% of the withdrawals were made through other methods, namely pre-paid vouchers and mobile payments.

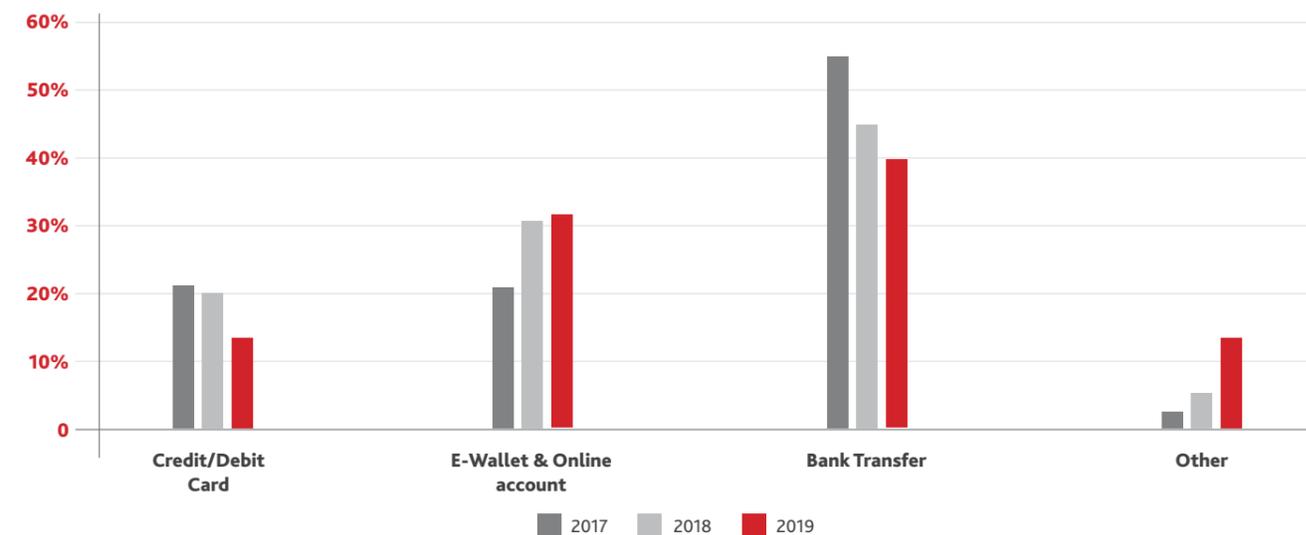


CHART 16: ONLINE GAMING - METHOD OF PAYMENT (WITHDRAWALS)

7. Online Gaming: GR from Customer Gaming Activities (B2C licensees)

It is estimated that in 2019, 56% of the total GR¹⁹ of the B2C licensees was generated through gaming classified under the Type 1 group. The GR generated from games falling under Type 2 accounted for 36.3% of the total, whilst the GR from Type 3 games accounted for 7.7%. The activity classified under Type 4 was minimal throughout the year and accounted for less than 1% of the total GR.

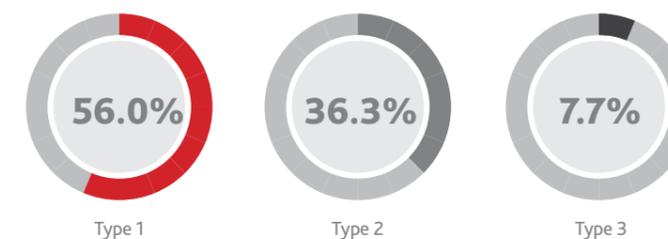


CHART 17: ONLINE GAMING - GR DISTRIBUTION BY GAME TYPE

¹⁹ For more information on Gaming Revenue, please refer to point 8 of the Methodology.

Type 1 Games

In 2019, 74.4% of the GR for the Type 1 group was generated through slot games whilst 21.5% was generated through table games. The remaining 4.1% of the GR was generated through other games, the most popular of which were virtual sports games, lotteries, and secondary lotteries.

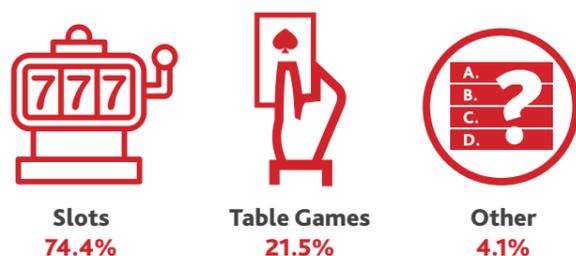


FIGURE 1: ONLINE GAMING - TYPE 1 GAMES - GR DISTRIBUTION

Type 2 Games

During the year under review, 36.3% of the GR was generated from games falling under the Type 2 game category. Betting on football generated the highest portion, at 76.4% of the GR, whilst bets on tennis accounted for 7.7%. In 2019, basketball generated 5.9% of the GR whilst bets on cricket accounted for 1.9%. The remaining 8.1% of the GR was generated through other bets, including betting on horses, cricket, esports, motorsports, golf, volleyball, ice hockey, and handball.

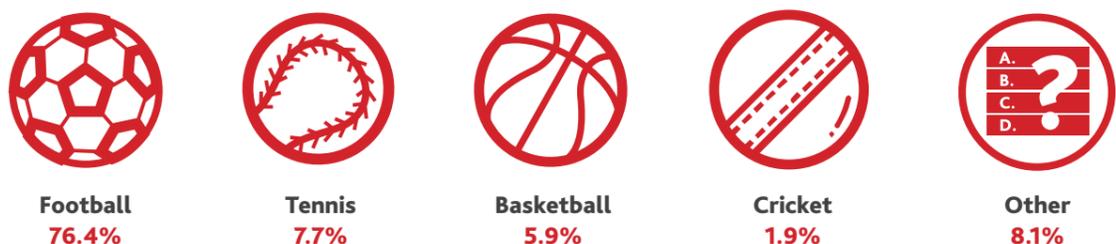


FIGURE 2: ONLINE GAMING - TYPE 2 GAMES - GR DISTRIBUTION

Type 3 Games

Throughout 2019, peer-to-peer (P2P) poker generated a major share of the GR for Type 3 games, accounting for 81.9% of the total. Betting exchange constituted 10.3% of the GR whilst lottery messenger accounted for 3.9%. The GR generated from P2P bingo accounted for 3.2% of the total. The remaining 0.7% of the GR was generated by other games offered through Type 3 approval.



FIGURE 3: ONLINE GAMING - TYPE 3 GAMES - GR DISTRIBUTION

8. Online Gaming: Compliance Contribution

Following the introduction of the Gaming Licence Fees Regulations (S.L. 583.03), the amount payable by the operators now depends on the type of approval issued by the Authority. This is strictly correlated with the GR generated during the licence period. These Regulations also stipulate a minimum and a maximum amount of contribution, which is to be paid according to the game type in question. Throughout 2019, the MGA collected dues owed in terms of the applicable legislation totalling €47.3 million.

	2017	2018	2019
Total [€]	31,539,944	39,785,899	47,255,180

TABLE 32: ONLINE GAMING - COMPLIANCE CONTRIBUTION

9. Online Gaming: Employment

As at the end of 2019, the number of FTE employees directly working with online gaming companies licensed by the MGA stood at 6,593²¹.

	end-2017	end-2018	end-2019
Total	5,861	5,950	6,593

TABLE 33: ONLINE GAMING - EMPLOYMENT (FTE)

As at the end of December 2019, 61.5% of all employees within the online gaming industry in Malta were male. The proportion of non-Maltese workers in the online gaming industry constituted 64% of all employees in this sector. Despite the decrease of around three percentage points from the end of 2018, the number of foreign employees grew in actual terms whilst the number of Maltese increased at a faster pace. This further highlights the need for expatriate workers to sustain the growth of the industry.

²⁰ For more information on the compliance contribution, please refer to Points 8 & 9 of the Methodology.

²¹ For more information on employment, please refer to point 10 of the Methodology.

Disclaimer

This document contains information and statistics that have been obtained from sources believed to be reliable in regard to the subject matter covered.

This document does not, however, constitute commercial, legal or other advice howsoever described. The MGA excludes any warranty and/or liability, expressed or implied, as to the quality, completeness, adequacy, and accuracy of the information, statements, and statistics contained within this document.

The MGA reserves the right to change and update the information, statements, and statistics provided in the current and previous documents at its own discretion and without prior notifications as it may, in its discretion, deem necessary. The MGA assumes no responsibility for any consequences that may arise in the absence of such changes and/or updates.



List of Training Courses, Conferences, and Events



TRAINING COURSES/WORKSHOPS

A Practical Approach to Company Law for Operations and Risk Offers
 Accounts CPE hours
 ACE Seminar
 AML Customised Course
 AML/CFT for Remote Gaming Operators
 Anti-Money Laundering Classroom Training
 Artificial Intelligence in Gaming
 Big Data and Business Analytics
 Blockchain and Risk
 Chartered Director Programme
 Certificate in Internal Audit
 Company Law for Operations and Risk Offers
 CRISC Review Course
 Difficult Conversations with Under Performers
 EEGS Conference
 Employment Issues
 Enterprise Risk Management
 Exploiting the AI Revolution in Today's World
 Feasibility Studies
 Financial Modelling for Investment
 Forensic Accounting
 Future of Work - 6 sessions
 Gambling Compliance Forum
 GDPR & Cybersecurity
 GDPR Essentials & Cyber Security
 GDPR for Accountants
 Handling Difficult Conversations
 IFRS Updates for Listed Companies
 Intermediate Excel for Professionals
 Intermediate Excel for Professionals AML
 International Taxation Conference
 Investigative Skills
 ITIL 4 Foundation Training
 Lead Auditor Course
 Minute Writing Course
 Project Manager Short Course
 Recent Developments in the Domestic and European AML CFT Framework
 Risk Management
 SEO Fundamentals
 Tax Highlights
 The Audit Fraud Triangle
 The HR Network Series: Marketing for HR
 The Prevention of AML & FC
 Transforming Internal Audit
 Understanding Multicultural Working Environments
 VAT Grouping in Practice

CONFERENCES:

11th VAT & EU Conference
 Annual HR Conference
 Blockchain Conference
 CIPD Conference
 Delta Summit
 Global HR Trends Summit
 Malta AI & Blockchain Summit
 Malta Blockchain Summit
 SIGMA

LOCAL EVENTS

ACE Seminar
 AML/CFT for Remote Gaming Operators
 AMLGA
 ARG Group - Gambling Compliance Forum
 Artificial Intelligence in Gaming: The Responsible Way
 Casino Beats Malta - Online Casino: The Search for Innovation
 Chiliz Blockchain Campus
 City Legal
 Compliance Matters Conference
 Compliance through Governance - Kyte Consultants Ltd
 Cyber Security
 Delta
 EY - Malta Attractiveness Event
 Financial Integrity Forum Event
 iGaming Next
 KPMG
 Paving the Way towards a Sustainable Maltese Economy
 Prevention Management Cross-Industry Working Group 2019
 SIGMA

FOREIGN EVENTS

Brazil Educational
 CEEGC
 CMS Gambling Conference
 Crypto Games
 European Gaming Summit
 GREF
 ICE 2019
 IMGL Masterclass
 International Olympic Committee
 Irish Gambling Reform Seminar
 Kindred - Sustainable Gambling Conference
 Prague Gaming Summit 2019
 Responsibility in Gaming Europe Conference
 Responsible Gambling Panel
 Sports and EU Conference
 UNODC Conf on Safeguarding Sport from Corruption

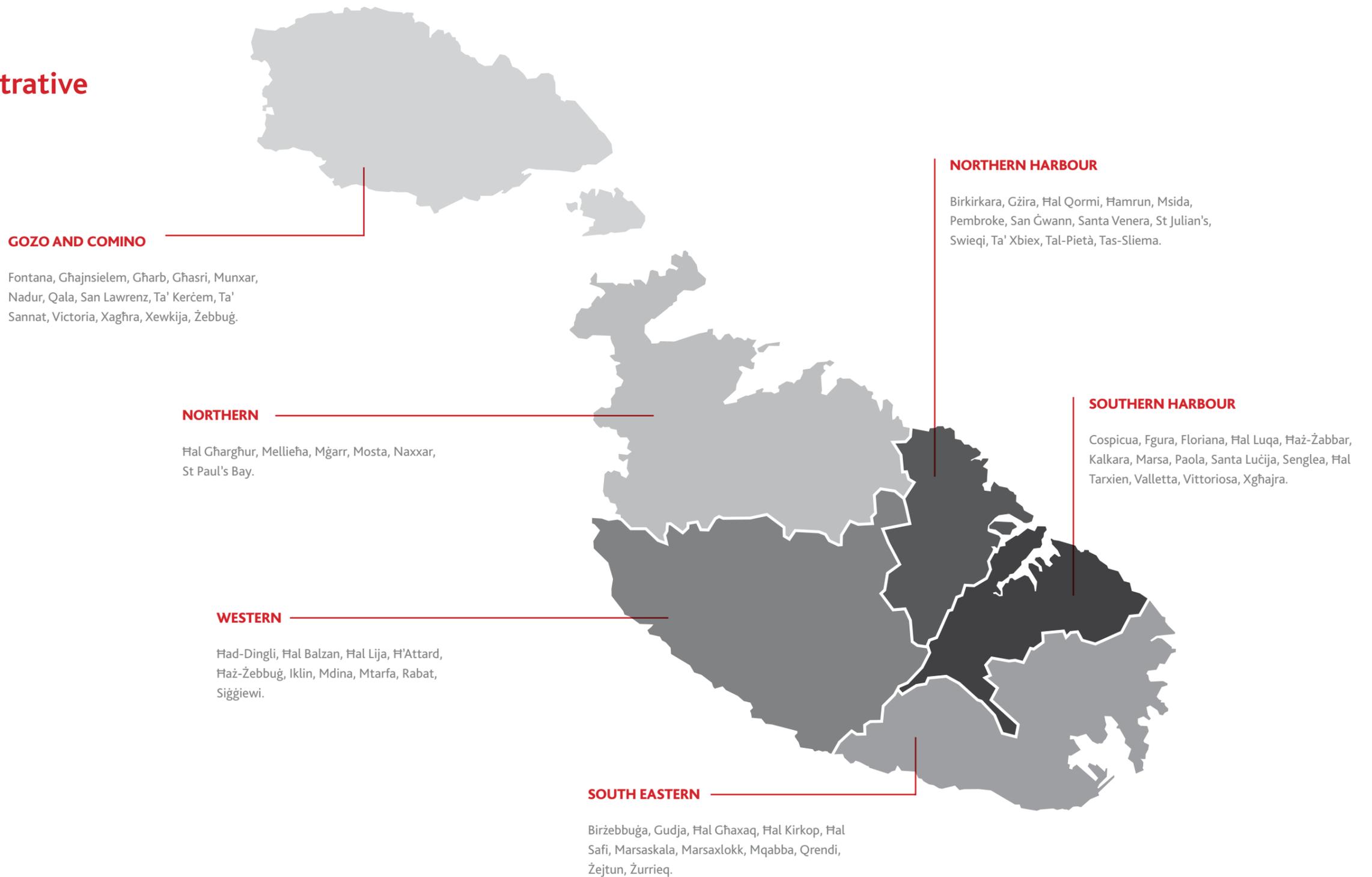


List of Appendices

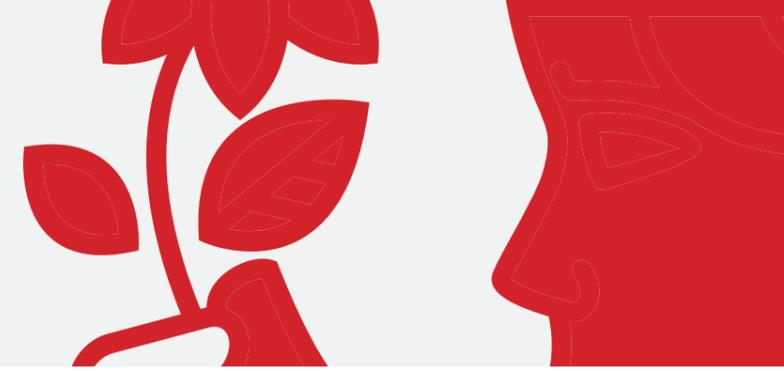
Statistical Regions and Districts of Malta



Local Administrative Units (LAUs)



Contents



Financial Statements



Registration

The Malta Gaming Authority (hereinafter referred to as the 'Authority') was established by virtue of the Gaming Act, Chapter 583 of the Laws of Malta.

Board of Governors of the Authority

Heathcliff Farrugia	Chairman (Acting)
Ryan C. Pace	Deputy Chairman
Roberto Francalanza	
Caesar Grech	
Juliana Scerri Ferrante	
Ruth Trapani Galea Feriol	

Chief Executive Officer

Heathcliff Farrugia

Secretary of the Board of the Authority

Adrian Caruana

Head Office

Malta Gaming Authority
Building SCM 02-03, Level 4
SmartCity Malta
Ricasoli SCM1001
Malta

Auditor

Ernst & Young Malta Limited
Certified Public Accountants
Regional Business Centre
Achille Ferris Street
Msida MSD 1751
Malta

The Board of Governors of the Authority (hereinafter referred to as the 'Board') submit their annual report and the audited financial statements for the year ended 31 December 2019.

Principal activity

The Authority was established by virtue of the Gaming Act, Chapter 583 of the Laws of Malta for the purpose of carrying out the functions defined in the said Act.

Results

The operating revenue net of dormant funds generated by the Authority during the year amounted to EUR81,703,563 (2018: EUR75,244,475). After deducting all expenditure of EUR13,210,252 (2018: EUR11,621,185) the Authority registered a surplus for the year of EUR69,333,387 (2018: EUR64,130,495). The Authority transferred EUR 72,295,918 (2018: EUR63,221,963) to the Government of Malta.

Board of Governors of the Authority

The members of the Board of Governors of the Authority who acted in such position during the year under review are listed on page 100.

Chairperson

In accordance with Article 6(4) and the First Schedule of the Gaming Act, Chapter 583 of the Laws of Malta, the Chairperson and the other members of the Board are appointed by the Minister responsible for the gaming sector.

Events after the reporting period

Subsequent to 31 December 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Due to the recent rapid development of COVID-19, various countries have introduced quarantine and social distancing measures, which had a significant impact on the level and scale of various business activities. While the uncertainty persists particularly as to the length of the pandemic, the potential issues that COVID-19 could present are still evolving and the actual effects are difficult to comprehensively predict. The Authority has assessed the potential impact on its operations and cashflows based on all available information at the time of approving these financial statements and will continue to review its assessment as the situation evolves. From an operational aspect the Authority does not expect the outbreak to have a significant impact on the Authority's operations in view of the fact that the Authority has successfully implemented remote working arrangements. From a financial aspect, the Authority anticipates a potential drop in income, predominantly from land-based gaming and sports remote gaming, whilst introducing cost containment measures. Under this scenario, the Authority expects to have sufficient resources to absorb the impact of COVID-19 including liquidity to meet its obligation as and when they fall due. No adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

Auditors

Ernst & Young Malta Limited have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the next meeting of the Board.

The Report of the Board of Governors of the Authority is signed on their behalf by:

Heathcliff Farrugia
Chairman (Acting)

Caesar Grech
Board Member

21 May 2020



REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the Authority, which comprise the statement of financial position as at 31 December 2019 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the Gaming Act, Chapter 583 of the Laws of Malta.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Authority in accordance with the International Code of Ethics for Professional Accountants (*including International Independence Standards*) as issued by the International Ethics Standards Board of Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 of the Laws of Malta*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The other information obtained at the date of the auditor's report is the 2019 Board of Governors Report. The Board is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Governors' Responsibility for the Financial Statements

The Board is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Gaming Act, Chapter 583 of the Laws of Malta, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 1 identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- 2 obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control;
- 3 evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- 4 conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern; and
- 5 evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The partner in charge of the audit resulting in this independent auditor's report is
Shawn Falzon for and on behalf of
Ernst & Young Malta Limited
Certified Public Accountants

21 May 2020

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Notes	2019 EUR	2018 EUR
Revenue	5	81,703,563	75,244,475
Administrative and other expenses	6	(13,210,252)	(11,621,185)
Operating surplus		68,493,311	63,623,290
Release of unclaimed player's monies		1,024,223	506,867
Increase of provision for claims	14	(35,000)	-
Finance income	8	352	338
Finance costs	17	(149,499)	-
Surplus for the year		69,333,387	64,130,495

The accounting policies and explanatory notes on pages 108 to 122 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Notes	2019 EUR	2018 EUR
ASSETS			
Non-current assets			
Intangible assets	10	853,387	819,629
Property, plant and equipment	11	7,410,873	3,716,255
		8,264,260	4,535,884
Current assets			
Trade and other receivables	12	7,257,065	10,287,726
Cash at bank and in hand	16	10,058,710	10,253,080
		17,315,775	20,540,806
TOTAL ASSETS		25,580,035	25,076,690
EQUITY AND LIABILITIES			
Equity reserve	13	250,000	250,000
Reserve fund	13	4,888,129	7,138,455
National Lottery Reserve Fund	13	-	-
		5,138,129	7,388,455
Non-current liabilities			
Provision for claims	14	925,000	890,000
Finance lease liabilities	17	3,659,673	-
		4,584,673	890,000
Current liabilities			
Trade and other payables	15	15,603,242	16,798,235
Finance lease liabilities	17	253,991	-
		15,857,233	16,798,235
Total liabilities		20,441,906	17,688,235
TOTAL EQUITY AND LIABILITIES		25,580,035	25,076,690

The accounting policies and explanatory notes on pages 108 to 122 form an integral part of the financial statements.

The financial statements on pages 104 to 122 have been authorised for issue by the Board of the Authority on 21 May 2020 and were signed on their behalf by:



Heathcliff Farrugia
Chairman (Acting)



Caesar Grech
Board Member

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	National Lottery Reserve Fund EUR	Reserve Fund EUR	Equity reserve EUR	Total EUR
At 1 January 2019	-	7,138,455	250,000	7,388,455
Appropriation from statement of comprehensive income	969,193	68,364,194	-	69,333,387
Unclaimed prizes transferred in terms of the Gaming Act, Chapter 583 of the Laws of Malta and the applicable regulatory instruments issued thereunder	712,205	-	-	712,205
Payments made to/or on behalf of Government in terms of the Gaming Act, Chapter 583 of the Laws of Malta and the applicable regulatory instruments issued thereunder	(1,681,398)	(70,614,520)	-	(72,295,918)
At 31 December 2019	-	4,888,129	250,000	5,138,129
At 1 January 2018	-	5,539,053	250,000	5,789,053
Appropriation from statement of comprehensive income	1,011,874	63,118,622	-	64,130,495
Unclaimed prizes transferred in terms of the Gaming Act, Chapter 583 of the Laws of Malta and the applicable regulatory instruments issued thereunder	690,869	-	-	690,869
Payments made to/or on behalf of Government in terms of the Gaming Act, Chapter 583 of the Laws of Malta and the applicable regulatory instruments issued thereunder	(1,702,743)	(61,519,220)	-	(63,221,963)
At 31 December 2018	-	7,138,455	250,000	7,388,455

The accounting policies and explanatory notes on pages 108 to 122 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2019



Notes	2019 EUR	2018 EUR
Operating activities		
Surplus for the year	69,333,387	64,130,495
Adjustment to reconcile surplus for the year to net cash flows		
Non-cash:		
Depreciation of property, plant and equipment	608,361	472,083
Amortisation of intangible assets	398,423	318,922
Grant Amortisation	176,010	44,971
Increase in provision for doubtful debts	831,214	138,053
Increase in provision for claims	35,000	-
Finance income	(352)	(338)
Working capital adjustments:		
Decrease/Increase in trade and other receivables	2,286,698	(3,131,931)
Decrease/Increase in trade and other payables	(674,474)	4,225,209
Net cash flows from operating activities	72,994,267	66,197,464
Investing activities		
Purchase of property, plant and equipment	(460,891)	(65,347)
Purchase of intangible assets	(432,180)	(417,742)
Interest received	352	338
Net cash flows used in investing activities	(892,719)	(482,751)
Financing activities		
Payments made to Government	(72,295,918)	(63,221,963)
Net cash flows used in financing activities	(72,295,918)	(63,221,963)
Net movement in cash and cash equivalents	(194,370)	2,492,750
Cash and cash equivalents at 1 January	10,253,080	7,760,330
Cash and cash equivalents at 31 December	10,058,710	10,253,080

The accounting policies and explanatory notes on pages 108 to 122 form an integral part of the financial statements.



1. CORPORATE INFORMATION

The Authority is established by virtue of the Gaming Act, Chapter 583 of the Laws of Malta. The principal activity of the Authority is to govern and supervise the gaming sector in Malta.

2.1 BASIS OF PREPARATION

These financial statements have been prepared on a historical cost basis and are presented in Euro.

Statement of compliance

These financial statements have been prepared in accordance with IFRS as adopted by the EU and comply with the Gaming Act, Chapter 583 of the Laws of Malta.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Standards, interpretations and amendments to published standards as endorsed by the EU effective in the current year

The financial statements of the Authority have been prepared in accordance IFRS as adopted by EU and with the Companies Act, Chapter 583 of the Laws of Malta. These have been prepared under the historical cost convention and are presented in Euro, except for derivative financial instruments which have been measured at fair value.

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective during the year:

- 📌 IFRS 16 - Leases (effective for financial year beginning on or after 1 January 2019);
- 📌 IFRIC 23 - Uncertainty over Income tax treatments (effective for financial year beginning on or after 1 January 2019);
- 📌 Amendments to IFRS 9- Prepayment Features with Negative Compensation (effective for financial year beginning on or after 1 January 2019);
- 📌 Amendments to IAS 19- Plan Amendment, Curtailment or Settlement (effective for financial year beginning on or after 1 January 2019);
- 📌 Amendments to IAS 28- Long-term Interests in Associates and Joint Ventures (effective for financial year beginning on or after 1 January 2019); and
- 📌 Annual Improvements to IFRS 2015-2017 Cycle (effective for financial year beginning on or after 1 January 2019).

The adoption of these standards did not have significant impact on the financial statements or performance of the Company.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Authority. The Authority has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - continued

Standards, interpretations and amendments to published standards as adopted by the EU which are not yet effective

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Company has not early adopted but plans to adopt upon their effective date. The changes resulting from these standards are not expected to have a material effect on the financial statements of the Company. The new and amended standards follow:

- 📌 Amendments to References to the Conceptual Framework in IFRS (issued on 29 March 2018) (effective for financial year beginning on or after 1 January 2020);
- 📌 Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform (issued on 26 September 2019) (effective for financial year beginning on or after 1 January 2020); and
- 📌 Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) (effective for financial year beginning on or after 1 January 2020).

Standards, interpretations and amendments that are not yet endorsed by the EU

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet adopted by the EU. The Company plans to adopt the new standards upon their effective date. The new and amended standards follow:

- 📌 IFRS 17 - Insurance Contracts (effective for financial year beginning on or after 1 January 2021);
- 📌 Amendments to IFRS 3 Business Combinations (effective for financial year beginning on or after 1 January 2020); and
- 📌 Amendments to IAS1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020).

2.3 IMPACT OF ADOPTING NEW ACCOUNTING STANDARDS IN 2019

IFRS 16 Leases

The Authority adopted IFRS 16 with an application date 1 January 2019. The standard replaces IAS 17 and sets out the principles, measurements and disclosures of leases. The Authority applied the modified retrospective, therefore prior year figures were not adjusted.

In the context of the transition to IFRS 16, right-of-use assets of EUR 4,212,754 and lease liabilities of EUR 4,212,754 were recognized on 1 January 2019. As part of the initial application of IFRS 16 the Authority chose to apply the relief option for low value asset leases. In such cases, the lease payments are recognized as expense in the profit or loss. The Authority utilized the practical expedient to not reassess whether a contract contains a lease.

The following reconciliation to the opening balances for the lease liability as at 1 January 2019 is based on the operating lease obligation as at 31 December 2018:

	EUR
Operating lease obligation as at 31 December 2018	5,223,885
Gross lease obligation as at 31 December 2018	5,223,885
Discounting	1,011,131
Lease liability at 1 January 2019	4,212,754



2.3 IMPACT OF ADOPTING NEW ACCOUNTING STANDARDS IN 2019 - continued

IFRS 16 Leases - continued

The lease liabilities were discounted at their respective incremental borrowing rates as at 1 January 2019. The incremental borrowing rate for each specific lease, or portfolio of leases was determined on the basis of a rate build-up methodological approach where financing spreads and lease spreads adjustments were applied upon a base risk-free reference rate. This approach yielded an incremental borrowing rate of 3.6% varying based on the above described lease characteristics. Alternative estimation approaches were also applied as a cross-check and procedures rates in the same region.

Leases are presented in the income statement for the year ended 31 December 2019 as follows:

	EUR
Finance Costs	
Interest on Right-of-use asset	149,399
Depreciation and Amortisation	
Depreciation of Right-of-use asset	366,327

Disclosure regarding the right of use assets and lease liabilities in the statement of financial position can be found in note 11 and note 17.

3. SUMMARY OF ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are set out below:

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for licenses, compliance contribution and levies, and application fees in the normal course of business. All revenue is recognised on the accrual basis. The following specific recognition criteria must also be met before revenue is recognised:

Licences

Revenue is recognised when the licence becomes due. It is accounted for on a straight line basis over the term of the licence.

Application fees

Revenue is recognised upon receiving the consideration together with a valid application form.

Compliance contribution and levies

Depending on the type of licence, revenue from compliance contribution and levies, is either charged on a fixed fee basis or is based on a percentage of the regulated companies' reported revenue, up to a capped amount for remote gaming companies.

Interest income

Interest income is recognised as the interest accrues, unless collectability is in doubt.

Trade and other receivables

Trade receivables are recognised and carried at original amount due less an allowance for any uncollectible amounts. An estimate for impairment is made when collection of the full amount is no longer probable. Impaired debts are derecognised when they are assessed as uncollectible.

Amounts due from related parties are recognised and carried at cost.

3. SUMMARY OF ACCOUNTING POLICIES - continued

Impairment of financial assets

The Authority recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Authority expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Authority does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Authority has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Cash and cash equivalents

Cash in hand and at banks and term deposits which are held to maturity are carried at cost. Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash in hand and deposits at banks, net of overdrawn bank balances.

Grant

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Authority.

Amounts due to related parties are carried at cost.

Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation expense on intangible assets is recognised in the statement of comprehensive income. Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	%
Computer software	25



3. SUMMARY OF ACCOUNTING POLICIES - continued

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and/or accumulated impairment losses, if any. Depreciation is calculated to write off the cost of the property, plant and equipment on a straight-line basis over their expected useful life as follows:

	%
Leasehold improvements	6.67
Furniture and fittings	10 - 16.67
Office equipment	16.67 - 25
Motor vehicles	20
Computer equipment	25

Gains and losses arising on de-recognition upon disposal of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c) there is a change in the determination of whether fulfilment is dependent on a specified asset; or
- d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal of extension period for scenario b).

Finance leases, which transfer to the Authority substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the statement of comprehensive income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Authority will obtain ownership by the end of the lease term. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the financial statements, the Board is required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted in the period the change becomes known.

Provisions for claims and contingent liabilities

Claims have been made against the Authority by third parties. Judgement is required to determine whether these claims will require an outflow of resources and whether these could be reliably estimated. The Authority quantifies the claims based on the damages and determines the probability of the outflow based on the advice provided by the legal counsel.

Where the Authority believes that the claims would probably result in an outflow of resources and can be reliably estimated, a provision is recognised. Where there is a possible obligation, but probably there will not be an outflow of resources, no provision is recognised whilst a contingent liability is disclosed.

In the opinion of the Board, the accounting estimates, assumptions and judgements other than those mentioned above, made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised) - 'Presentation of financial statements'.

5. REVENUE

Revenue comprises the following:

	2019 EUR	2018 EUR
Licence Fees	8,114,631	6,987,413
Application fees	477,605	409,220
Other Revenue	817,276	959,970
Total Authority fees	9,409,512	8,356,603
Compliance Contribution & Levies	72,294,051	66,887,872
Total revenue	81,703,563	75,244,475

Number of licences in issue at end of year:

	2019 No.	2018 No.
Commercial bingo houses	4	4
Casinos	4	4
Gaming parlours	56	52
National lotteries	1	1
Online gaming licences	287	275
Total number of licences at end of year	352	336



6. EXPENSES BY NATURE

	2019 EUR	2018 EUR
Auditor's remuneration	26,550	26,550
Chairperson's emoluments and Board honoraria (note 18)	50,295	43,591
Staff costs (note 7)	7,222,468	6,536,287
General administrative expenses	1,157,603	1,471,933
Professional fees	861,333	1,043,204
Promotional expenses	843,759	849,252
Depreciation and amortisation on property, plant and equipment and intangible fixed assets (notes 10 and 11)	1,197,101	791,007
Provision for doubtful debts (note 12)	831,214	138,053
Contributions to other entities	1,019,929	721,308
Total administrative and other expenses	13,210,252	11,621,185

7. EMPLOYEE INFORMATION

a. Staff costs

The total employment costs were as follows:

	2019 EUR	2018 EUR
Salaries	6,421,681	5,747,979
Social Security costs	395,117	371,367
Fringe benefits	161,005	135,169
	6,977,803	6,254,515
Other related costs	244,665	281,772
	7,222,468	6,536,287

7. EMPLOYEE INFORMATION - continued

b. Staff numbers

	2019 No.	2018 No.
Finance	10	11
Legal affairs	7	6
Enforcement including a staff complement dedicated to AML	59	59
Regulatory	43	38
Information systems	14	11
Human resources and administration	19	21
Programme management and Information management	9	9
Chief Executive Officer's Office	6	5
Internal audit	2	4
Other	0	1
Total	169	165

8. FINANCE INCOME

	2019 EUR	2018 EUR
Interest receivable on bank balances	352	338

9. TAXATION

No provision for Malta income tax has been made in these financial statements as the Authority's income is exempt from any liability to income tax.



10. INTANGIBLE FIXED ASSETS

Intangible fixed assets pertain to software costs of the Authority. The movement in intangible fixed assets is as follows:

	Computer Software EUR
Cost	
At 1 January 2018	1,111,542
Additions	417,742
Transfers	74,473
At 31 December 2018	1,603,757
Additions	432,180
Transfers	-
At 31 December 2019	2,035,937
Amortisation	
At 1 January 2018	448,003
Amortisation for the year	336,124
At 31 December 2018	784,127
Amortisation for the year	398,423
At 31 December 2019	1,182,550
Net book value	
At 31 December 2019	853,387
At 31 December 2018	819,629

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Property, Plant and Equipment owned by the Authority

	Leasehold Improvements EUR	Furniture and fittings EUR	Office equipment EUR	Motor vehicles EUR	Computer equipment EUR	Total EUR
Cost						
At 1 January 2018	3,112,193	1,540,721	531,382	151,128	661,640	5,997,064
Additions	-	-	4,907	-	60,440	65,347
Transfers	-	-	-	-	(74,473)	(74,473)
At 31 December 2018	3,112,193	1,540,721	536,289	151,128	647,607	5,987,938
Additions	2,203	36,236	1,021	-	421,431	60,891
Disposals	-	-	(4,339)	-	-	(4,339)
At 31 December 2019	3,114,396	1,576,957	532,971	151,128	1,069,038	6,444,490
Depreciation						
At 1 January 2018	539,905	346,116	317,780	112,340	455,690	1,771,831
Depreciation charge for the year	186,945	169,558	78,055	20,082	45,212	499,852
At 31 December 2018	726,850	515,674	395,835	132,422	500,902	2,271,683
Depreciation charge for the year	204,004	171,638	72,280	15,163	145,276	608,361
At 31 December 2019	930,854	687,312	468,115	147,585	646,178	2,880,044
Net book value						
At 31 December 2019	2,183,542	889,645	64,856	3,543	422,860	3,564,446
At 31 December 2018	2,385,343	1,025,047	140,454	18,706	146,705	3,716,255



11. PROPERTY, PLANT AND EQUIPMENT – continued

11.1 Property, Plant and Equipment owned by the Authority - continued

The Authority has moved into new premises during November 2015. The Authority has undertaken significant improvements to these new premises. Whilst most of the improvements have been in place as at year end, the project was fully completed in the first quarter of 2016.

11.2 Right-of-use asset – Leasehold Property

	2019 EUR	2018 EUR
IFRS 16 adjustment	4,212,754	-
Cost at 31 December 2019	4,212,754	-
Depreciation for the year	366,327	-
Accumulated Depreciation at 31 December 2019	366,327	-
Net book Value at 31 December 2019	3,846,427	-

12. TRADE AND OTHER RECEIVABLES

	2019 EUR	2018 EUR
Compliance Contribution, Levies and Licences receivable and Accrued Income (note i,ii,iii)	6,609,029	9,566,055
Prepaid expenses	376,135	449,770
Deposits and Other Receivables	271,901	271,901
	7,257,065	10,287,726

- (i) At 31 December 2019, Compliance Contribution, Levies and Licences receivable at nominal value of EUR2,589,193 (2018: EUR1,757,979) were impaired and fully provided for (note 12).

Provision for doubtful debts

	2019 EUR	2018 EUR
Opening balance	1,757,979	1,619,926
Increase in provision for doubtful debts	831,214	138,053
Closing balance	2,589,193	1,757,979

12. TRADE AND OTHER RECEIVABLES - continued

- (ii) As at the balance sheet date, the ageing analysis of Compliance Contribution, Levies and Licences receivable is as follows:

	Total EUR	Neither past due nor impaired EUR	Past due but not impaired			
			<30 days EUR	31-60 days EUR	61-90 days EUR	>90 days EUR
2019	6,609,029	5,832,202	435,485	71,407	22,595	247,340
2018	9,566,055	6,478,384	652,878	1,417,053	898,014	119,726

- (iii) Accrued income included with Compliance Contribution, Levies and Licences receivable comprise of compliance contribution payable to the Authority for which no request for payment has been issued yet.

13. RESERVES

a. Equity reserve

Funds for the creation of the Reserve have been retained from the gaming taxes collected. This was transferred to Equity reserve with approval of the Ministry of Finance.

b. Reserve Fund

The Reserve Fund represents accumulated excess of revenue over expenditure.

c. Unclaimed Prizes Reserve

The National Lottery Licensee is to pay funds standing in its unclaimed prizes reserve to the Authority. The Authority shall allocate such funds in accordance with the Gaming Act (Chapter 583 of the Laws of Malta) and any other applicable regulatory instruments issued thereunder.

14. PROVISION FOR CLAIMS AND CONTINGENT LIABILITIES

Provision for claims

During 2014, a gaming operator initiated, court proceedings against the Authority claiming loss of profits from the Authority in the region of EUR800,000. Other provisions estimated at EUR90,000 already recognised at 31 December 2018 continued to be recognised as at 31 December 2019 while additional provisions of EUR35,000 were recognised during the year. The Authority with the assistance of legal counsel rebuts these claims.

Contingent Liabilities

During 2016 an operator-initiated court proceedings against the Authority. The Authority is contesting these claims and continues to follow the advice of its legal counsel. Court proceedings are in the initial stages and the damages, if any, cannot be reliably estimated. Accordingly, no provision for any liability has been made in these financial statements.

Up to the date of the authorisation of these financial statements, there were no other material claims made against the Authority that are expected to lead to a possible obligation.



15. TRADE AND OTHER PAYABLES

	2019 EUR	2018 EUR
Unclaimed deposits (note i)	8,530,803	8,733,492
Trade and Other payables	518,709	604,576
Advances received from operators	1,218,419	2,289,038
Accruals	631,881	765,759
Deferred income	4,703,430	4,405,370
	15,603,242	16,798,235

- i. Balance includes unclaimed player deposits and dormant accounts from Remote Gaming operators which are passed on to the Authority by the licensee when no transactions have been recorded on players' account for more than thirty months.

16. CASH AND CASH EQUIVALENTS

	2019 EUR	2018 EUR
Cash at bank and in hand	10,058,710	10,253,080

17. FINANCE LEASE LIABILITIES

	2019 EUR	2018 EUR
<i>Current</i>		-
Finance Lease Liabilities (i)	253,991	
<i>Non-Current</i>		-
Finance Lease Liabilities (i)	3,659,673	

- (i) Finance lease liabilities bear interest at the rate of 3.6% per annum

18. RELATED PARTY DISCLOSURES

Related party	Year	Total transactions with related parties EUR	Amounts owed to related parties at year end EUR	Type of transaction
Government of Malta - The Treasury	2019	72,295,918	-	Payments made to/on behalf of gov
Government of Malta - The Treasury	2018	63,221,963	-	Payments made to/on behalf of gov

Key management personnel

The Chairperson and the Board are considered to be key management personnel. Included in 'Administrative and other expenses' (note 6) are salaries paid to the Chairperson and Board amounting to EUR50,295 (2018: EUR43,591).

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

At the year end, the Authority's main financial assets on the statement of financial position comprise trade and other receivables, and cash at bank and in hand. At the year end, there were no financial assets off the statement of financial position.

At the year end, the Authority's main financial liabilities on the statement of financial position consisted of amounts due to government, other payables, accruals and deferred income.

Contractual maturity profile of financial liabilities

The presentation of the financial assets and liabilities listed above under the current and non-current headings within the statement of financial position is intended to indicate the timing in which cash flows will arise. The maturity profile of the financial liabilities of the Authority as at year end is as disclosed in note 15 and 17.

Credit risk

The Authority trades only with licensed, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Authority's exposure to impaired debts is not significant. Carrying amounts for trade receivables are stated net of any impairment provisions, when necessary, which are prudently made against debts in respect of which management reasonably believes that recoverability is doubtful. Credit risk with respect to debts is limited due to the number of licensees comprising the Authority's debtors' base. The Authority's cash at bank is placed with quality financial institutions. The Authority has no significant concentration of credit risk.

Liquidity risk

Liquidity risk is the risk the Authority will not be able to meet its financial obligations as they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal or stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation.



19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Fair values

The carrying amounts of cash at bank and in hand, trade receivables, trade payables and accrued expenses approximated their fair values.

Interest rate risk

With the exception of cash and bank balances, the value of the Authority's assets and liabilities are not subject to interest-rate movements.

20. SUBSEQUENT EVENTS

Subsequent to 31 December 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Due to the recent rapid development of COVID-19, various countries have introduced quarantine and social distancing measures, which had a significant impact on the level and scale of various business activities. While the uncertainty persists particularly as to the length of the pandemic, the potential issues that COVID-19 could present are still evolving and the actual effects are difficult to comprehensively predict. The Authority has assessed the potential impact on its operations and cashflows based on all available information at the time of approving these financial statements and will continue to review its assessment as the situation evolves. From an operational aspect the Authority does not expect the outbreak to have a significant impact on the Authority's operations in view of the fact that the Authority has successfully implemented remote working arrangements. From a financial aspect, the Authority anticipates a potential drop in income, predominantly from land-based gaming and sports remote gaming, whilst introducing cost containment measures. Under this scenario, the Authority expects to have sufficient resources to absorb the impact of COVID-19 including liquidity to meet its obligation as and when they fall due. No adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

	31 December 2019		31 December 2018	
	EUR	EUR	EUR	EUR
Salaries and national insurance	7,222,468		6,536,287	
Training	140,437		100,725	
Other staff costs	16,388		13,603	
Staff and ancillary costs		7,379,293		6,650,615
Chairperson's emoluments and Board honoraria	50,295		43,951	
Subcontracted services	14,528		9,788	
Telecommunications	50,717		56,789	
IT and Ancillary Costs	446,794		344,399	
Water and electricity	43,812		43,468	
Rent	1,865		374,489	
Insurance and licences	60,972		58,805	
Postage, stationery and printing	45,753		55,821	
Office expenses	27,265		24,166	
Motor vehicle running expenses	59,293		59,270	
Bank charges	6,796		4,620	
Cleaning expenses	12,570		11,284	
Subscriptions	129,463		66,722	
Repairs and maintenance	107,022		141,156	
Business development expenses	9,967		14,075	
Overseas travelling	135,505		86,694	
Seminars and conferences	5,281		6,059	
General administrative expenses		1,207,898		1,401,197
Professional fees	189,292		689,658	
Auditors' remuneration	26,550		26,550	
Due Diligence consultancy fees	485,621		291,065	
Legal fees	29,595		62,481	
Professional fees		731,058		1,069,754
Promotional Expenses		843,759		849,252
Depreciation and amortisation		1,197,101		791,007
Provision for doubtful debts		831,214		138,053
Contributions to other entities		1,019,929		721,308
		13,210,252		11,621,185



Building SCM 02-03, Level 4, SmartCity Malta, Ricasoli, SCM 1001, Malta

+356 2546 9000 info.mga@mga.org.mt