



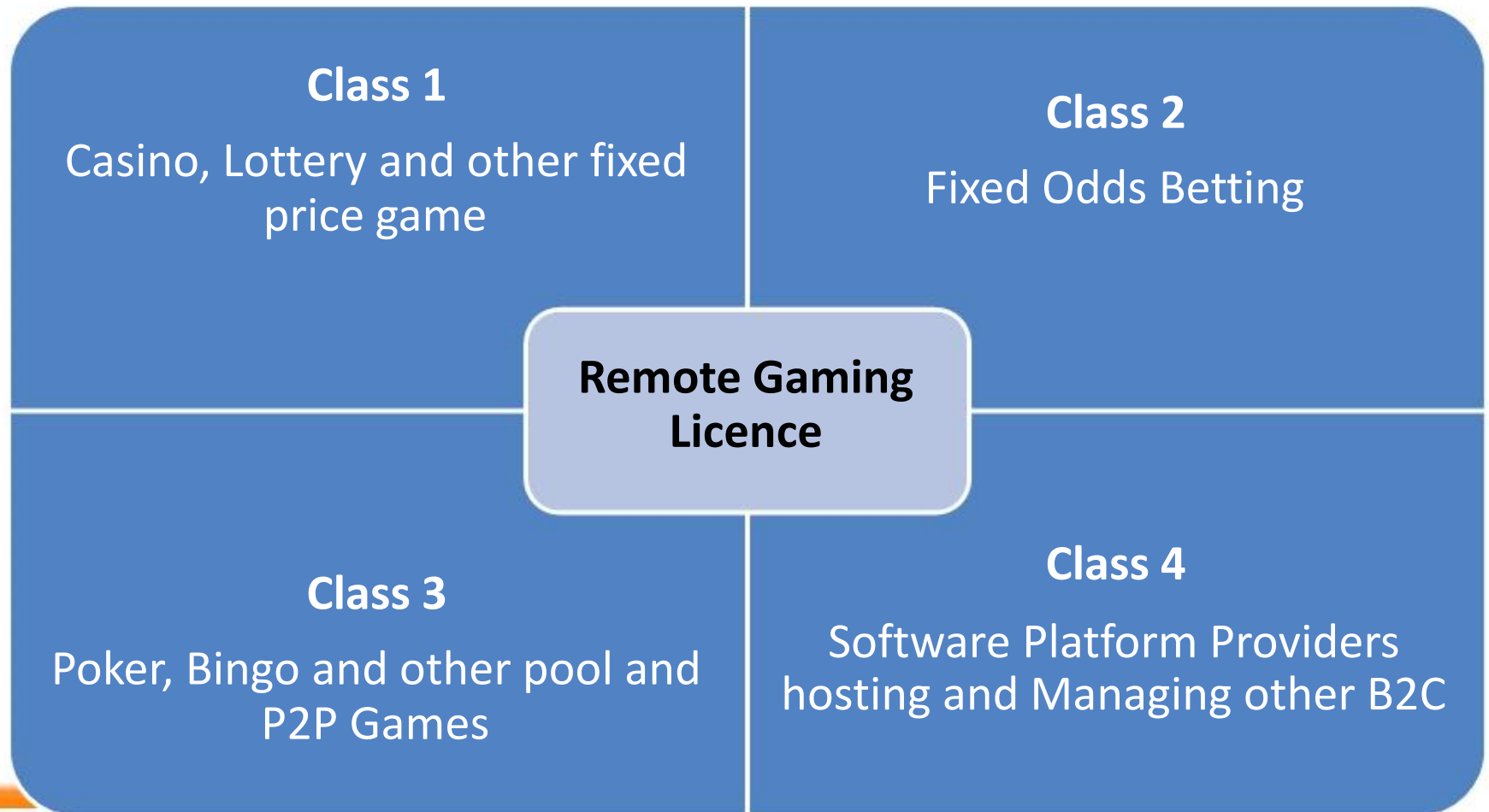
Lotteries and Gaming Authority

# Regulating Online Gaming

## Pre-Licensing Process

Lotteries and Gaming Authority - Malta

# Licensing Structure



# Classification of Remote Gaming Operations

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Class 1: Operators manage their own risk by offering repetitive games which results depend on random generation e.g.: casino type games.

Class 2: Operators manage their own risk by offering bets on events based on a matchbook e.g.: fixed-odds betting.

Class 3: Operators take a commission from promoting and abetting games e.g.: poker networks and bingo networks.

Class 4: Operators provide management and hosting facilities on their gaming platform

# Licensing Process

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The LGA Licensing Process is determined by fundamental principles that govern our regulatory approach:

- Operators are fit and proper to conduct the gaming operations.
- Operators are strong from a business and financial position to sustain gaming operations.
- Operators are technically capable of conducting and sustaining gaming operations.
- Operators have implemented their gaming and control systems in accordance to the Remote Gaming Regulations.

# Pre-Licensing Process

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Appropriate Risk Management processes are catered for.

Games are conducted fair and transparently.

Responsible Gaming functionalities such as 'Reality check' and spending limits are in place.

# Pre-Licensing Process

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The LGA underlying philosophy is QUALITY not QUANTITY.

Obtaining a license from the LGA is not easy. An applicant has to go through a very Rigorous Application Process in order to satisfy requirements.

A Maltese Remote Gaming License is a Privilege not a Right. This instigates a high level of 'Self Regulation' on operators as they cannot afford to lose such a privilege.

The onus of proving to be fit and proper is on the Operator – LGA cross examines each component of the gaming operations eg: KYC process, fraud management procedures, record keeping.

# Licence Life Cycle

## Pre - Licensing

- Fit & Proper Tests
- Financial Analyses
- Technical Review & Operational Review
- Pre-Audit

## Licensing

- Compliance Analysis
- Employee Due Diligence
- Conditions to Licence

## Post Licensing

- Operator Checks
- Share transfers
- Compliance Checks
- Player Support
- Inspections
- Enforcement

## Pre-Application

Prior to submission all applicants are advised to go through a pre-application process with one of the LGA's Licensee Relationship Executives. This will ensure that the application has been correctly developed and all the key ingredients are present. This process assists in speeding up the licensing process as in the LGA's experience most applications are slowed down due to missing or incomplete information.

## The Application Process

As of June 2011, the application process has been harmonised into a singular stage. Applicants can submit all the required information at one go and the LGA commits itself to the analysis of all information through multiple internal process streams.

In the application stage the LGA assesses whether an applicant:

1. Is fit and proper to conduct gaming business.
2. Is correctly prepared for a business strategy perspective.
3. Has the operational and statutory requirements to meet the legal obligations expected by Maltese Law.
4. Has correctly implemented what has been applied for, on a technical environment before going live.

### 01 Fit and Proper

The LGA conduct a fit and proper exercise on the applicant by assessing all information related to persons involved in finance and management and on the business viability of the operation. The LGA conducts probity investigations with other national and international regulatory bodies and law enforcement agencies.

### 02 Business Planning

The LGA conducts an in-depth financial analysis of the applicants business plan. The applicant's business plan is expected to have a detailed forecast of the operation, inclusive of marketing and distribution strategies, HR plan and growth targets.

### 03 Operational & Statutory Requirements

The applicant is examined on the instruments required to conduct the business. This process includes examining incorporation documents, the games, the business processes related to conducting the remote games, the rules, terms, conditions and procedures of the games, the application architecture and system architecture of the gaming and control systems.

The above three components constitute the desk-based audit of the application requirements and is completed within 12 to 16 weeks, assuming all information is complete and correct and there is little to no iteration between the LGA and the applicant. Inconsistent and low quality applications will be dropped and the applicant will be subject to re-application.

### 04 System Audit

Once all three areas are successfully completed the LGA will inform the applicant that the application was successful and will invite the applicant to implement onto a technical environment in preparation for going live. The applicant will be allowed 60 days to complete this operation after which the application will be considered as suspended and subject to re-application. At any point within those 60 days the applicant may trigger a request for an external systems audit (performed by an independent 3rd party contracted by the LGA against a fixed market price). The systems audit will audit the live environment against the proposed application.

At this stage the LGA expects minimal deviation from the application. Significant changes to the gaming system will require the applicant to re-apply through a new application.

On successful completion of the certification process, the Authority issues a five year license.

### 05 Compliance Audits

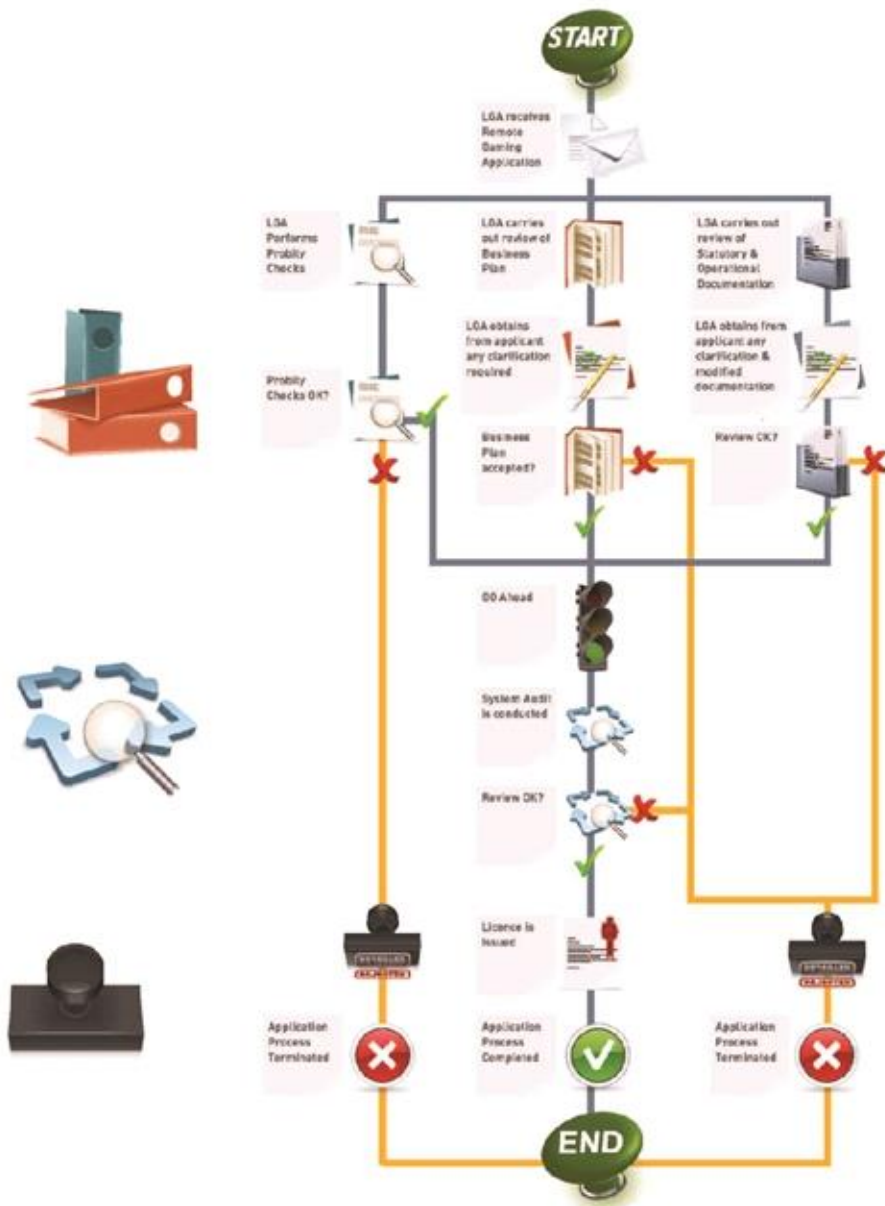
The LGA mandates that after going live a Licensee shall undergo a number of compliance audits of its operation, performed by an independent 3rd party contracted by the LGA against a fixed market price.

The LGA will require the audit to take place on the following schedule:

1. After the first year of operation after being licensed by the LGA.
2. On the third year of operation after being licensed by the LGA.
3. On the implementation of gross changes in the gaming system.
4. On the discretion of the LGA normally arising from suspicion of deviation to:
  - a) the regulations.
  - b) operational nature of the license.
  - c) misconduct.

Failure of a compliance audit could lead to suspension and even termination of a licence.





# Pre-Licensing Process

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## Our Regulatory Approach

Probity Checks on all Ultimate Beneficiary Shareholders, Directors, CEO and employees. This check is performed by a dedicated unit within the Regulatory Unit

### Review of Business Plans

Overview of the Business Objectives

Proposed Company Structure

Nature of the games to be offered

Technologies to be used

Financing plan

Three year financial forecast

Marketing and Sales Plan

# Pre-Licensing Process

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## Our Regulatory Approach

Review of System Documentation

Statutory Documentation

Business Entity Form

Fund Management – Players' Fund to be kept in a separate ring-fenced account held with an EEA licensed financial institution

Company Policies & Procedures

Agreements and Contracts with all business partners

# Pre-Licensing Process

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## Our Regulatory Approach

Review of System Documentation

Game Operations & Game Certificates

KYC & Fraud Management Procedures

AML procedures

Terms & Conditions

Technical Set-Up

Disaster Recovery and Business Continuity

# Pre-Licensing Process

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- Age Limits
- Data Protection (Credit Cards and Personal Data)
- Web-site and On-line Text
- No Game on Credit
- Sports Integrity
- Risk & Exposure Management
- Player & Operators Collusion
- Segregation of Player Funds
- Fairness & Randomness of the Game
- Availability of Self Exclusion, Reality Checks and Setting Financial & Time Limits

## System Audit

- Engage independent certifiers to carry out this assignment.
- Objective is to provide assurance regarding the reliability of the documentation submitted and that the gaming systems is fully-implemented with all the required functionality as per Regulations.
- Audit is carried out on a staging environment for testing purposes
- Gaming Systems and website/s should be available and connected with payment providers

## System Audit – Tests are carried out on:

- Gaming and Control System Set-up
- System and Player Account Security
- Information to be maintained regarding Player Activity
- Gaming and Financial Activity history
- Registration of Players
- Contents of Websites

## System Audit – Tests are carried out on:

- Fraudulent activity detection and AML procedures
- Player Self-Protection Mechanisms
- Reality Checks
- Full Screen Games
- Aborted and Miscarried Games Procedures
- Reporting Procedures



# Pre-Licensing Process

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The Lotteries and Gaming Authority is not a Licensing Jurisdiction.

We regulate responsible Gaming.

The Process leading to the granting of a license is not the end of our Regulatory Function.