

The Committees and Council

The Supervisory Council

The Supervisory Council is responsible for ensuring the integrity, consistency, and development of the regulatory functions of the MGA. It also acts as an advisory force to the Executive Committee on regulatory developments and how the Authority should react to them. It also evaluates and decides whether an applicant should obtain a gaming licence.

The Audit Committee

Falling directly under the responsibility of the Board of Governors of the Authority, the role of the Audit Committee is to ensure good corporate governance, risk management, oversight of audit/accounting issues and internal controls. Furthermore, the Audit Committee oversees the accounting and reporting processes, the audits of the financial statements, internal audits, and internal control systems. The Audit Committee oversees the accounting and reporting processes, the audits of the financial statements, internal audits and internal control systems and is authorised to conduct investigations into any matters falling within the scope of its responsibility. Furthermore, it is responsible for approving the strategic and annual operational internal audit plans while managing and supervising the internal audit function of the Authority.

Internal Audit

The Internal Audit function within the MGA provides internal assurance and advice independently and objectively, with the ultimate aim of adding value and improving the overall operations of the Authority, as well as ensuring that adequate control mechanisms are in place and functioning. During 2022, several internal audits were undertaken in line with the risk-based internal audit plan approved by the Authority's Audit Committee.

Fit and Proper Committee

The Fit and Proper Committee assesses and determines the fitness and propriety, (especially from a criminal probity perspective) of individuals and companies applying for a licence from the MGA, both at the onboarding stage and throughout their lifecycle as licensees.

Complex structures may be escalated by the relevant internal directorate analysing them to the Committee to evaluate which entities and individuals should be screened.

The Committee also determines when to conduct enhanced due diligence and whether existent licensees are still fit and proper where circumstances change. It is also tasked with recommending changes in the policies and procedures regarding the fitness and propriety of operators and individuals, recommending enforcement actions where necessary, and providing feedback to the Supervisory Council where it deems it is required to turn down an application based on the applicant not being fit and proper. Furthermore, the Committee also evaluates and determines any changes in the risk assessment of licensed operators on matters of probity and may impose licence conditions where it deems required.

Commercial Communications Committee

The Commercial Communications Committee evaluates commercial gaming communications which are brought to its attention – through internal monitoring processes or via external reports – to ensure that they comply with the provisions set out in the Gaming Commercial Communications Regulations (S.L. 583.09) and, more importantly, to guarantee that adverts protect players and vulnerable persons. Commercial communications may be brought to the attention of the Committee by the general public or through the various regulatory and monitoring structures set up within the Authority.

Compliance and Enforcement Committee

The Compliance and Enforcement Committee is primarily responsible for evaluating breaches of the Gaming Act (Chapter 583 of the Laws of Malta, hereinafter the 'Gaming Act') and the regulatory instruments issued thereunder, together with deciding the enforcement measures that should be meted out for such breaches, if any. The Committee is composed of members from the different Authority directorates, reflecting the various issues escalated for the consideration of the Committee. The examination of breaches by the Committee is carried out per the pre-set guidelines published in November 2019, 'Guiding Principles for the Application of Enforcement Measures', to ensure that enforcement measures are imposed appropriately and proportionately.



Our Directorates and Functions

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

The **Regulatory Directorate** is responsible for the authorisations function of the Authority, and it is tasked with the overall management of the onboarding process of new operators and applicants of the various types of authorisations. The overarching process involves the undertaking of criminal probity screening at the application stage and, whenever necessary thereafter, the processing of the application and the issuance of the relevant gaming licences, certificates, and any other types of authorisations required or sought by applicants and their eventual renewals.

In addition, it is responsible for ensuring that both online and land-based licensees comply with the stipulated licence conditions, the relevant legislative framework, and other regulatory instruments, through prudential compliance audits and reviews. Furthermore, this directorate ensures that players have protection by undertaking the necessary regulatory supervision to ensure sufficient player funds. This directorate also handles any requests from players for assistance by facilitating resolutions of complaints between players and licensed operators. It strives to ensure that licensees have responsible gambling measures to protect players and vulnerable persons, contribute toward the fight against the manipulation of sports competitions by ensuring sports integrity, and participate in the investigation of irregular and suspicious betting activities with various local and foreign bodies.

This directorate's functions also encompass compliance with Anti-Money Laundering (AML) regulations as instructed by the Financial Analysis Intelligence Unit (FIAU) and the carrying out of investigations on reported or identified unauthorised gaming operations performed to or from Malta or through a Maltese legal entity. It encompasses the risk management function, responsible for the overall development and centralisation of a risk-based approach aimed at identifying and mitigating risks posed to the Authority's day-to-day operations, ensuring that strategic risks align with the risk appetite established by the Board. Furthermore, the directorate implements effective risk management practices within the Authority and assists risk owners in defining the risk exposure within each department.



As part of its regulatory duties, the Investigations Unit within the MGA carries out investigations on reported or identified gaming operations performed from/to Malta or through a Maltese legal entity without the relevant authorisations. The unit offers investigative support to other departments and committees within the MGA.

The **Operations Directorate** is responsible for the overall day-to-day operations of the MGA through the various support functions falling within its responsibility, including the general management of facilities, health, safety, and security of the Authority. The human resource function ensures that employees work in a healthy, positive and safe environment that promotes a high-performance culture across the Authority, sustained by continuous investment in employees through several training programmes. The responsibility of the MGA's promotional and corporate affairs management lies within this directorate, which ensures effective internal and external communications, strengthening the Authority's relationship with the industry. Additionally, this directorate is responsible for undertaking research on due diligence topics concerning the Authority, intending to contribute towards policymaking and the way forward on various aspects of concern to the MGA.

Furthermore, the Operations Directorate ensures that daily inspections are carried out in land-based outlets while maintaining oversight of live draws of the National Lottery operator's games.

The **Finance and Business Transformation Directorate** is responsible for several cross-cutting support functions that ensure the Authority's well-functioning. The finance function is primarily responsible for collecting compliance contributions, levies, licence fees, and other administrative fees due to the Authority, together with the general corporate finance support that provides for financial accounting, planning and control, as well as procurement. This directorate is responsible for the business transformation function of the Authority, ensuring that the Authority embraces a culture of operational excellence through high-quality outputs as well as efficient business processes and daily operations workflow management, together with information management and data quality. This ideal supports the organisation in embracing a culture of data-driven decision-making coupled with the overall centralisation and management of data and records. Furthermore, this directorate is also responsible for overseeing the Authority's strategic projects.

In addition, this directorate is responsible for the MGA's security, infrastructure and software development functions. It is entrusted with designing, maintaining, and supporting the Authority's information technology infrastructure, providing an opportunity to leverage information and technology in a productive, efficient, and secure manner. It achieves this through technology and infrastructure planning, hosting and data management, in-house software development, business and software analysis, quality assurance of software, and testing and integration with other systems.

The **Policy and International Affairs Directorate** manages the relationship with the MGA's foreign and international counterparts, including information exchange and cooperation, whilst keeping up with global developments in gaming regulation. It identifies critical regulatory areas requiring a specific focus to meet the Authority's policy objectives and policy development thereto. It also oversees the European Union (EU) and international affairs management of the MGA and, by extension, advises the Government of Malta on any developments in this regard, including any risks and opportunities for the Authority and Malta.



The **Legal and Enforcement function** is responsible for advising on matters relating to the legislative framework concerning the gaming sector, general legal and regulatory affairs and dispute resolution. It is also responsible for taking the necessary actions on identified breaches of the laws and regulations governing the gaming activities licensed by the Authority. Furthermore, it liaises with the Malta Police Force, the Courts of Justice, the Office of the Attorney General, and reputable foreign agencies to further assist in prosecuting criminal offences. This function plays a critical role in ensuring that the gaming industry in Malta operates in a fair, transparent, and responsible manner, by investigating and enforcing compliance with the laws and regulations governing the industry, and working with other stakeholders to promote responsible gambling practices.



Competitiveness of the Maltese Gaming Industry

For many years, Malta has enjoyed a reputation as one of the most important hubs for the online gaming industry. The stable regulatory regime and numerous benefits that Malta had to offer resulted in the continued development of the sector, including attracting key industry players and talented professionals to Malta.





In 2022, we devoted numerous workstreams towards ensuring that the sector is regulated in a manner that will safeguard its sustainable development. We also continued contributing to national policies to ensure that Malta offered a competitive environment to companies established on the island and attracted new investments.

Having the power to issue binding instruments empowers the Authority to promote sustainable gaming sector development directly. Through our refined policymaking process, where we continue to strengthen the incorporation of data and research, we can ensure that policy decisions are not reactive but rather research and data-driven. One of our workstreams involves monitoring the competitiveness and potential vulnerabilities of the gaming industry. On an annual basis, we compile a detailed report – *An Assessment of the Competitiveness and Potential Vulnerabilities of the Remote Gaming Industry in Malta* – outlining the vital competitiveness challenges affecting the industry and exploring the impact of potential disruptions to the sector. This fulfils our role of continuously advising the Government on key sector developments, in line with our responsibility in governing law.

In 2022, we commissioned a sectorial skill strategy that addresses the gaming industry's challenges with respect to the ongoing demand for qualified and skilled human capital, which increased significantly as the economy grew and diversified into a number of various sectors. The availability of sufficient levels of human capital possessing adequate knowledge, skills, and aptitudes is essential to sustaining the competitiveness of this industry. We are committed to monitoring the sector's needs and assisting within the scope of our remit.

Throughout 2022, we have continued to follow the developments of a directive proposed by the European Commission in December 2021, which lays down the rules for ensuring a minimum level of effective corporate taxation (15%) of large multinational groups and large-scale purely domestic groups in the Single Market (Pillar II Directive). Together with other national stakeholders with knowledge of the matter, we embarked on a series of initiatives to contribute towards a sustainable strategy for the gaming sector to mitigate the impact of the global pact. We worked on many proposals for the sectorial and national strategies which aim to ultimately keep Malta attractive as a place of establishment for the industry.



Additionally, we embarked on a closed consultation exercise with industry stakeholders regarding a set of proposed amendments to the Player Protection Directive (Directive 2 of 2018) to ensure that our framework is adequately modernised and that it addresses the challenges that were identified since the Directive's initial inception.

It is vital that our work is not conducted within a bubble, risking detachment from the industry and thereby rendering ineffective the actions taken by the Authority. We understand and work towards harnessing the value of engagement with the industry because we recognise that this engagement, openness and continuous communication with the industry is precisely what empowers and informs our work and ensures that our efforts are pooled into workstreams that remain relevant and vital for the industry. In 2022, we continued our assessment on the bets offered by the MGA-licensed operators, particularly on amateur and youth leagues, unregulated events and esports so as to identify and combat potential issues related to the manipulation of sports and sports competitions, protection of players. To this effect, in April 2022, we issued a closed consultation to evaluate its position in relation to the offering of the aforementioned bets and assess whether any policy intervention in this area is required.

Based on relevant studies commissioned by the Authority, the proposed amendments primarily pertain to responsible gambling policies and procedures requirements and the introduction of specified markers of harm that operators must consider when adopting measures to detect and address problem gambling.

The proposed amendments detail provisions concerning real-money reinforcement and staff training criteria. Following the close of the consultation period in October 2022, we proceeded to consolidate all feedback received and consider necessary revisions to the final text in anticipation of publication shortly thereafter.

Similarly, a closed consultation concerning a proposed policy on the use of Innovative Technology Arrangements (ITAs) and the acceptance of Virtual Financial Assets (VFAs) and Virtual Tokens was issued in November 2022 as a response to the industry's need to seek regulators' guidance in this innovative area. We intend this policy to serve as a definitive and effective replacement of the MGA's Guidance on the use of ITAs and VFAs through the implementation of a Sandbox Environment (Sandbox Regulatory Framework) while, of course, continually leaving the door open for further adaptation of requirements commensurate to relevant technological developments as they arise.

Throughout the year, continuous dialogue with institutions and representatives at the EU level remained high on our priority list. Our licensees operate in an industry which is inherently international and cross-border in nature.

As the regulator of such an industry, we understand the importance of strengthening and maintaining strong and positive relationships with the institutions that safeguard the freedoms on which our licensees depend.



We have continued to defend unjust restrictions to the freedom to provide services and the freedom of establishment that our licensees have the right to enjoy because they are established in a Member State that forms part of the EU internal market. To this end, we also continued to monitor draft legislation in other Member States, mainly through the Technical Regulation Information System (TRIS) implemented by the EU Commission. We challenge draft laws of other Member States when we opine that they do not honour the fundamental freedoms of the internal market in an effort to safeguard the industry's interests. In doing so, we continue to argue in favour of conditions that allow the industry to offer an attractive service. This ensures that consumers choose to engage and play within a regulated market, which is subject to strict legal obligations aimed at protecting the most vulnerable members of society and which is overseen by a competent regulator that is empowered to take swift enforcement action in cases of non-compliance with the legal framework on the part of the licensee.



We continued engaging with the Maltese Permanent Representation to the EU regarding matters arising in the industry to ensure they are well-informed and can defend Malta's position when any challenges arise at the EU level. Furthermore, we continued to provide feedback and raise concerns regarding legislative initiatives within the EU acquis that could negatively impact the industry through the appropriate national channels to ensure an adequate and fair representation of the industry and its interests. We strive to always take advantage of any opportunity to educate the relevant stakeholders and representatives of Malta about the industry and its challenges, to ensure the Maltese licence and the industry are understood and, in turn, provide protection and facilitate efforts geared towards retaining the competitiveness of the Maltese licence at a national and international level.

On a regulatory front, Malta continued attracting new entrants to the local market, with 41 gaming licence applications submitted during the year and issuing 31 licences. In recent years, we have observed a growing trend of B2B applications as a testament to our regulatory framework and policy initiatives. The services of the B2B licensees are sought after by Maltese B2C operators and foreign-regulated operators alike, conscious of the safeguards brought about by the Maltese licence.

The value of the Maltese licence, B2C and B2B, comes from its strong legal foundation that allows us to present the Maltese licensing regime as a model framework for creating a sustainable industry. To continue supporting our licensees, we have strived to keep an open dialogue with applicants and licensees alike, allowing them to discuss and propose new concepts, technologies, games and solutions. We are keen to hear about new developments that help us respond to the industry's needs by creating a safe space for players through our responsive regulatory framework, which, by design, is technology neutral.

Improving the Way We Regulate the Market

Our role as a regulator of the gaming sector is to ensure that the industry is adhering to the set regulations and policies and has adequate and reliable safeguards in place to protect minors and vulnerable persons. We ensure that these regulations and precautions achieve the objectives they aim to pursue.



The relationship between the regulator and its regulated sector is always complex. With this in mind, we strive to ensure a positive and transparent relationship between us and the key industry stakeholders, as we genuinely believe that creating a sustainable industry requires a high level of collaboration between all affected parties. This approach underpins our strategy for policymaking, which in our view, should always be based on consultation and collaboration.

As established in the Gaming Act, it is our duty to ensure that the requirements to be imposed on regulated persons are non-discriminatory, transparent and consistent. These guiding principles underpin our processes for continuous improvement and are embodied in our policy development and consultation processes.

The year under review was characterised by Malta's removal from the Financial Action Task Force (FATF) grey list in June 2022. We were continuously encouraged by the satisfactory performance of the gaming industry during the review of both the Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL) and the FATF. Through such monitoring processes, we have gained further regulatory insights, which helped us continue our efforts to maintain Malta's position as a prime jurisdiction for establishing sustainable and well-regulated gaming companies. We believe that our accomplishments, ongoing support and cooperation with various authorities and stakeholders have strengthened Malta's Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) regime. To this end, we are committed to continuing to build on the work achieved, to keep strengthening Malta's reputation.

During 2022, following the extensive exercise carried out in 2021 to identify opportunities for improving the process we follow when reviewing Gaming Licence Applications, we continued implementing substantial process changes and technical system enhancements. We launched the revised System Documentation Checklist, the revised System Audit Checklist, as well as the new System Review. This was to reduce the need for duplicate documentation, remove

template documents, and give more guidance to applicants and licensees alike on what the Authority expects from its applicants – both from a policies and procedures point of view and from its technical systems. The System Review was introduced to be a bridge between the System Audit and the more detailed Compliance Audit. The System Review, which will be required from 2023, will be conducted by approved Audit Service Providers, who will also review the systems and the policies in place to ensure that they comply with all the relevant legislations and the submitted policies and procedures.

As an Authority, we conduct regular horizon scanning on regulatory affairs and listen to the industry feedback, which, in turn, assists us with identifying key areas that would need to be addressed. To reduce the burden placed upon licensees and enhance the level of applications submitted to the Authority, thereby expediting the MGA's turnaround, we are looking towards developing a framework that regulates the so-called 'Application Managers'. Applicants and licensees are, and shall remain, free to handle their matters directly with the Authority; however, where they elect to make use of service providers to handle certain types of applications, these Application Managers will be required to act as a guide on any responsibilities and obligations towards the regulator and the provision of all relevant documentation and information to the Authority. Within the Regulations, we established the scope, functions and duties of Application Managers and established our powers in this respect, which include the power to refuse or revoke a person or company's right to act as an Application Manager in the event of severe or repeated breaches of their obligations. The Policy Document will



complement the Regulations by providing further clarity with respect to our expectations of the Application Managers, along with guidance aimed at assisting Application Managers to understand and comply with their regulatory obligations.

Furthermore, we continually improved the applications on the Licensee Relationship Management System (LRMS) to remove any duplicate and inconsistent data and ensure that all relevant data and information are being captured correctly to facilitate the review of the application process. We also issued other templates and guidelines, including the Statement of Affairs and the Source of Funds templates, to aid applicants in providing the Authority with all the information required to review an application successfully. Such initiatives enable us to continue increasing the efficiency with which applications are handled whilst ensuring that the utmost required scrutiny is always kept. Following the review of the revised Key Functions requirements in 2021, we streamlined the approval process of appointing a Money Laundering Reporting Officer (MLRO) in collaboration with the FIAU while, at the same time, ensuring that the industry is kept updated on any changes affecting this process and on any best practices that are intrinsic to the role of the MLRO.

In 2022, we aimed to continue enhancing our fitness and propriety assessment protocols at the authorisation and compliance stages. This was further complemented by training provided to enrich our people with the proper knowledge to regulate the sector effectively.

In 2022 we introduced the concept of the Agreed-Upon Procedures (AUPs) Reports regarding player funds and Gaming Revenue (GR). Audit firms are drawing up these reports in compliance with the 'International Standard on Related Services (ISRS) 4400 (Revised) Agreed-Upon Procedures Engagements', a standard issued by the International Auditing and Assurance Standards Board. In collaboration with the Malta Institute of Accountants (MIA), Gaming Committee Technical Releases were issued laying down the professional requirements for the carrying out of these engagements, which intrinsically require the reconciliation of player funds and gaming revenue reports with their accounting and backend systems and submitted by licensees together with their Audited Financial Statements.

Whereas Audited Financial Statements, in conformity with the International Standards on Auditing (ISA), adopt the concept of materiality, thus requiring auditors to obtain reasonable assurance on whether the financial statements are free from material misstatement, AUPs Reports do not adopt such a concept. This is particularly significant, as what is material from an auditing point of view is not necessarily immaterial from a regulatory perspective, especially since a licensee may hold gaming licences across various jurisdictions. The resultant regulatory findings under the Maltese licence would still be reportable irrespective of its materiality when seen in the context of the licensee's global operations.



We kept an open communication channel with all relative stakeholders throughout the year through various initiatives.

A webinar in conjunction with the MIA was held at the beginning of June 2022 to set out the roles and responsibilities of the auditor and engaging party as dictated by ISRS 4400 (Revised). The webinar allowed auditors and licensees to address their queries about this new requirement. A list of Frequently Asked Questions (FAQs) was also rolled out on our website in September 2022 to address common queries. The experience garnered during this year is driving us to further enhance such procedures in terms of streamlining the reporting process and continuously updating the FAQs, thus continuing to drive a compliance culture by being clear on what we expect from our licensees.

As a regulator, we must ensure that a licensee's audit service providers (ASPs) meet certain minimum criteria to maintain quality and integrity in the auditing process. In this regard, we have, since 2018, been approving ASPs engaged by our licensees to conduct both system and compliance audits. This entails an assessment of an audit firm's suitability in terms of independence and competence. It provides a mechanism for us to suspend or revoke our approval in case of unsatisfactory performance.

Mindful that it is equally essential to ensure the quality of other engagements, such as system reviews, statutory audits and AUPs reports, we have extended the approval scope to include these engagements. Whilst expanding the range of our existing policy on this front, we decided to effect some other amendments which would also improve transparency and efficiency. In this regard, we issued a consultation paper to communicate and refine our proposal and published our final policy paper in November 2022. In so doing, the revised policy is requiring ASPs to have, amongst others, at least two approved persons within the firm, where such persons collectively should hold financial and I.T. qualifications, as well as experience, and to ascertain that there are no financial interests or conflicts of interest in relation to their engagement. These requirements aim to ensure competence and continuity of service, the latter being imperative for us to regulate effectively and efficiently.

The Suspicious Betting Reporting Requirements, in place since 2020, have helped us as a regulator to have a holistic overview of all suspicious events within the remits of our Malta-licensed betting operators. These requirements oblige licensees offering a gaming service or a critical gaming supply to report suspicious activity via the Suspicious Betting Reporting Mechanism (SBRM). In 2022, 475 such reports were registered, through which we collaborated with several stakeholders on an international sphere and assisted a total of 18 relevant investigations. Moreover, we also had 25 instances where we helped betting operators transfer betting data falling within our jurisdiction to the appropriate investigating body in cases of manipulating sports competitions.

In 2022, through the Alerting process that had been implemented in the previous year, we have continued to ensure that we not only receive information from our licensees but also share our knowledge of suspicious events submitted on the SBRM with our licensees without revealing the source of information. Through such a process, we allow licensees to review the events in question and increase the chances of detecting suspicious betting behaviour.

In this regard, we collected information on suspicious events and proactively notified the relevant sports governing body and law enforcement bodies of suspicious events reported to us by sharing an anonymised report. We believe that in sharing information with our operators, we can capitalise on the strong sense of collaboration already present and increase the chances of detecting suspicious betting behaviour. This process gives licensees a holistic view of which events the industry recognises as suspicious and take informed decisions. By making this sharing of information mutual rather than one-sided, we are implementing in practice our *dictum* that we are on the same side as licensees of goodwill.



Our commitment to keeping an open and collaborative dialogue with the industry is as important as our communication with other regulators and local authorities.

Acting as the Supervisory Authority on behalf of the FIAU and as part of the ongoing cooperation with such, we organised several training sessions and joint workshops throughout the year to continue refining the supervisory methodology used in the conducting of AML/CFT examinations of licensed entities deemed to be subject persons under the Prevention of Money Laundering and Funding of Terrorism Regulations (PMLFTR).

In March 2022, an AML/CFT workshop was organised with the participation of the FIAU, aimed at sharing best practices between the two entities in the conduct of AML/CFT examinations. In addition, several training sessions were organised in September 2022 by MGA officials to share industry-specific knowledge with FIAU representatives. These sessions were designed as hands-on workshops to foster an overall understanding of the gaming sector.



Implementing Change by Being Innovative

The concepts of innovation and change are crucial for the future of the gaming sector. With over 20 years of experience overseeing the gaming industry, we have never stopped looking into how we can do better and ensure robust regulation without stifling innovation, which is the sector's lifeblood. This has led us to be innovative internally, within our processes, operational structures and technologies used, and externally – doing our utmost to be, and stay, at the forefront of such a dynamic and changing industry.





Malta, as a country, has always been at the forefront when it comes to legislating for innovation. One typical example is the introduction of the VFA Act by the Malta Financial Services Authority (MFSA), which also allowed companies operating in the Distributed Ledger Technology (DLT) and crypto-related sectors to be effectively regulated in Malta.

The benefits derived from cryptocurrencies have been recognised as advantageous to regulatory compliance due to the characteristics of transparency and traceability intrinsic to DLTs. That being said, as with any nascent technology, cryptocurrencies present new risks that must be understood and catered for. This has led Malta to adopt an interdisciplinary approach when regulating the sector, acknowledging the risk involved and mitigating it by introducing various regulatory stakeholders responsible for overseeing the different facets according to their area of expertise.

From a gaming industry perspective, within the ambit of the Sandbox Regulatory Framework, we are currently allowing applications for the integration of cryptocurrencies into the business model of our operators. These refer solely to cryptocurrencies that would, upon applying the Financial Instrument Test issued by the MFSA, be characterised as VFAs or virtual tokens. The process for the approval of cryptocurrencies in this manner necessitates an authorisation from us to this effect, during which we scrutinise applications to ensure that the crypto assets proposed for use meet the standards required by the applicable regulations.

At the post-approval stage, licensees accepted to participate in the Sandbox Regulatory Framework are subject to more stringent requirements than those that would ordinarily apply for the more traditional means of payment, per the risks involved. The MGA has drawn on the experience garnered from the implementation of the Sandbox Regulatory Framework, with the aim being to develop long-lasting policies around the use of cryptocurrencies in the context of gaming operations as of 2023. The experience gained will be highly useful in determining a robust regime to regulate these emerging technologies and payment methods.

Another area currently gaining momentum is the investment in Environmental, Social, and Governance (ESG) criteria, where, over the years, we have seen the gaming sector maturing and becoming more aware of its impact on the environment and society. We have been observing a growing trend of gaming companies setting their own ESG targets and transparently reporting the progress toward achieving them. We do believe that, as a regulator of the gaming sector with over 300 licensees, we have an important role to play – to use our voice in the global sector to advocate for positive change and demonstrate best practices.

Recognising the importance of ESG matters, in the last quarter of 2022, the MGA kickstarted a process for possibly implementing a voluntary ESG Code of Good Practice for the industry to showcase and increase the positive social and environmental impacts of the gaming sector. Naturally, this will only occur following extensive consultation with industry professionals to set the common priorities for ESG in gaming, identify best practices in the area, and allow good ESG performance to be recognised. As we look ahead, we expect to see more and more companies taking concrete actions towards becoming more sustainable, and we believe that reporting such efforts contributes positively to implementing change within the sector and improving its overall perception. We acknowledge that, as the regulator, we should lead by example, and therefore we are also moving towards ESG reporting for the Authority itself as part of the annual report process.

As part of our process to remain innovative and at the forefront of new technologies, apart from keeping tabs on external factors, we have also been actively working on improving our internal systems and processes. During 2022, through a thorough understanding of the current systems and technology

in place, the I.T. strategy for the realisation of these objectives was documented. Special consideration was given towards aligning the core I.T. initiatives with the overall strategy of the Authority.

As an Authority, we consider ourselves an open regulator, seeking to continuously improve and innovate, enabling us to continue being effective in our regulatory framework.

Many changes and projects are happening internally; however, we do not regulate in a vacuum, and hence we are actively on the lookout for any new technological advances, products and software that might require regulation or else that our licensees might be considering to offer under their licence. Throughout 2022, we have had several queries from the industry requesting our views on the feasibility, or otherwise, of a number of new concepts. These queries range from questions on game setups to software requirements and deal with different technologies, with the most common query being DLT-related. Through a holistic objective approach whereby various internal discussions are held between multiple teams, a decision is reached to always provide the necessary clarity to licensees.

Through several workshops and conferences held locally and abroad, we continued to understand what the industry is looking at, any hurdles or constraints and consider any options for improvements. This translates into further development in legislation or other regulatory requirements, which enable our licensees to operate within the fast-changing gaming sector but always in a well-regulated environment.



Providing Guidance and Reaching Out to the Industry

A key aspect of any regulator's role is to educate stakeholders about the regulations and policies they must comply with. In expecting compliance from our licensees, we acknowledge that it is our responsibility to be clear as to what those expectations mean in practice since the daily application of regulatory requirements often results in circumstances where it may be difficult for a licensee to understand how to be compliant while being pragmatic in running its business.

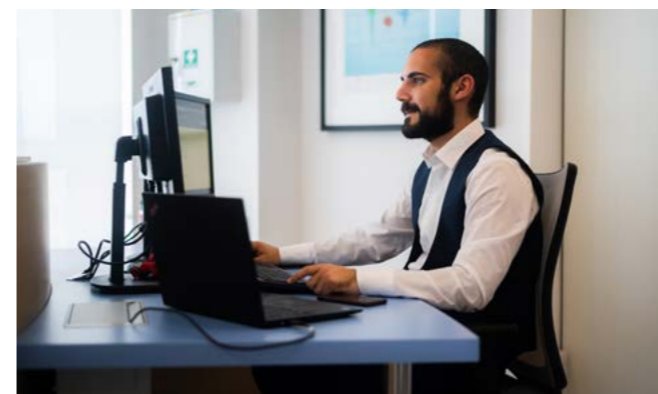


We endeavour to be clear in our expectations in two ways: by being present and available for discussion regularly and organising or participating in structured events and consultations specifically created for outreach purposes.

We understand the importance of having our presence at key industry events and conferences to foster conversations and debate in less formal settings. 2022 was the first year following the COVID-19 pandemic when our representatives participated in numerous live events as speakers, panellists, or regular attendees, in Malta and abroad. Our attendance at industry events is paramount for us to present our views on the key developments in the sector and educate the industry about the initiatives driven by the Authority. In total, we participated in 49 conferences and events, a list of which is provided in Appendix 1.

Apart from continuing to make ourselves available to speak to the industry at any point, in 2022, we hosted the first of a series of Regulatory Workshops to discuss topics pertinent to the industry and the Authority. Such workshops have provided and will continue to provide, the opportunity for the industry to hear first-hand about the proposed regulatory changes or any other matters, as well as about our approach to particular aspects of regulation for which the stakeholders' feedback is necessary to ensure compliance and understanding of any changes. We also focused on improving the frequency of use and effectiveness of our consultation process. Formalised consultations allow us to garner feedback on specific policy initiatives from experts in the industry.

We continued educating the sector, with a specific focus on prospective MLROs, on their obligations, the authorisation process, and the eligibility criteria for holding the MLRO function within a gaming company. We also empowered existing MLROs with the knowledge of best practices when submitting Suspicious Transaction Reports (STRs). We also organised a conference titled "The MLRO in the Gaming Sector", which complemented the ongoing dialogue between the industry, the MGA and the FIAU and contributed to raising awareness of the existing AML/CFT requirements. Our priority is to ensure that licensees receive adequate guidance and support with respect to AML/CFT obligations and requirements by further increasing outreach initiatives in 2023.



Additionally, to appropriately address the importance of player protection as one of our prime regulatory objectives, several familiarisation visits were held during 2022, which helped form the basis of the amendments to the Player Protection Directive. Such amendments resulted from research carried out by the MGA, as well as experience garnered through the familiarisation visits and the desktop reviews. In this aspect, we intend to continue holding regular touchpoints with licensed entities throughout 2023, as we firmly believe that responsible gambling is a shared responsibility between the licensee, the player, and the regulator.

In 2022, we continued revamping our consultation process and monitoring the industry's engagement in the process. Our idea of regulating the sector is to constantly engage with the stakeholders, most importantly, those affected by our policies and those vested in the matter. During the year, we launched consultations on five distinct subjects, requesting evidence or feedback on our policies from the licensees and other stakeholder groups.

Our outreach does not stop with our licensees. Our commitment to keeping an open and collaborative dialogue with the industry is as crucial as our communication with other regulators and local authorities. Throughout 2022, we continued with our regulatory outreach by creating knowledge-sharing opportunities with our foreign counterparts to exchange best practices and to provide authority-to-authority training on specific areas of gaming regulation. In 2022, we hosted in-person and remote international delegations from Malawi, Ghana, France, Ireland and Latvia. These meetings focused mainly on sharing the knowledge and lessons learnt to further improve how the sector is regulated. In addition, our regular presence at the regulatory fora, i.e., the Gaming Regulators European Forum

(GREF) and International Association of Gaming Regulators (IAGR), is crucial in exchanging ideas and implementing the best practices. That helps us reflect on how we regulate and assists us in adapting Malta's gaming regulatory framework to evolving market needs and regulatory risks.

Over the past year, we also collaborated with the National Statistics Office (NSO) on a two-day workshop focused on the gaming sector in Malta, which served as a platform for discussing relevant developments in the industry as well as for facilitating and enhancing discussion on the technical issues related to the analysis of the industry's data. Likewise, we have held several joint training sessions with FIAU officials with the scope of sharing sector-specific knowledge while engaging in practical workshops which promote a general understanding of the sector at large. The culmination of these collaborative efforts serves as the basis for establishing strategic relationships with relevant stakeholders and complements our avowed efforts to consistently improve how we regulate.

To increase transparency, we communicated any important developments on our website and through our social media channels. We provide regular updates on any amendments to the laws and regulations governing Malta's gaming sector, policies and guidance documents, and information on any open consultations and their outcome. Further to any new initiative we undertake, we ensure that extensive FAQs are published and updated regularly to reflect any amendments following initial publication.

Throughout 2022, we issued 43 news items on the website and 26 external communications, providing a synopsis of various updates and developments at the Authority and in the industry. To ensure that consumers are protected and can access the information on the regulated entities, we publish an up-to-date register of the licensed companies. We also publish notices on the activities of unlicensed entities that are not regulated by the Authority and do not provide the necessary safeguards delineated by our legal framework, making transactions with such entities risky for consumers. In 2022, we also embarked on a project to review our current website, which will positively impact the quality of the published information, ensuring that our message reaches its intended audience.



Effective Governance

Through good governance, we ensure the proper functioning of the Authority and that we operate efficiently and with integrity. In addition to the well-established structures of the Supervisory Council and several committees formed in the previous years, in 2022, we continued to strengthen our internal structures to provide a robust governance system of the several functions of the Authority.





Policies, procedures, and processes are documented and reviewed regularly, forming an integral part of our governance system.

We have increased the efficiency of the internal process followed when preparing responses pursuant to requests for information from various entities. This avoids unnecessary internal touchpoints, and enhances the data structure collected and shared. We also made improvements intended to ensure continued compliance with information security best practices, amongst others, by tweaking the process related to the onboarding, termination and change in the role of employees.

Furthermore, as part of the implementation of the Data Strategy, devised in 2021, we have established our Data Governance Framework, which laid out the responsibilities related to data governance across our organisation, and which ties together aspects related to information security, software development, data protection and to the management of data and records. Through such data governance, we can effectively manage data as an asset and guide data management activities across all levels of the Authority. This culture will continue to ensure that the work carried out by all respective functions is coherent and conducive to improved data governance.

We have also comprehensively analysed our document management system, which allowed us to identify opportunities for improving the system and the related processes. To this end, a thorough exercise has been undertaken to further refine our access control matrix into a significantly more granular system, aiming to identify different data owners within our systems and assign the necessary access rights to only those employees needing visibility and access to the information. This exercise does not only enhance security but will also improve Data Governance. Going forward, we will start migrating towards the improved system, which will continue furthering our implementation of the Data Strategy and will also lead to increased efficiencies in our processes.

Our governance controls spill over the number of enforcement measures we issue towards our licensees for non-compliance of persons or entities holding an authorisation issued by the MGA and our internal systems, checks and balances on our employees. In 2022, the latter led to the prosecution of one of our employees. In this regard, following the surfacing of confidential



information, the Authority initiated an internal investigation to uncover any wrongdoings by any of its employees, which resulted in the termination of an employee and the filing of an official complaint with the Malta Executive Police to investigate and prosecute accordingly. Furthermore, we acted on the recommendations of an impartial and independent employment board, specifically appointed to make recommendations in line with employment legislation vis-à-vis two employees whom the Authority had suspended for a non-work-related incident. The singling out of these incidents and the way they were subsequently dealt with is a testament to the Authority applying its processes and implementing decisions in an accountable and transparent manner and the fact that we take our role as public officials – expected to adhere to very high standards of professional and also personal integrity – very seriously.

As part of our efforts to strengthen our effective control measures, the MGA aims to achieve certification for ISO 27001, an international standard covering information security, cyber-security, and privacy protection in the coming years. A gap analysis was conducted in 2022 to understand the effort required by the MGA to undergo the ISO 27001 certification journey. The Authority already has an exhaustive list of I.T. Policies and is well-positioned to adapt this for the Information Security Management System (ISMS) and ensure that the required policies are approved, implemented, and maintained to safeguard the data and interests of licensees, prospective applicants, consultants, players, and the Government.