



# Regulatory Update for 2022

The Authority fuses the commercial needs of operators with a robust legal framework aimed at protecting players. As the single regulatory body responsible for the governance of all gaming activities in Malta, the MGA has garnered the reputation for being the preferred global remote gaming regulator.



## The Concession for the Rights of the National Lottery of Malta and National Lottery Licence 2022

On 5 July 2022, a National Lottery licence was issued to National Lottery plc, enabling the latter to take over the operation of the National Lottery in Malta for the next ten years from the previous operator, Maltco Lotteries Limited.

Following a Request for Proposals issued by the Government's Privatisation Unit in July 2021, the new concessionaire was granted the exclusive right to operate the National Lottery by virtue of the Concession Agreement for the Rights of the National Lottery of Malta signed to this effect between the Ministry for the Economy, European Funds and Lands and the new concessionaire in March 2022.

Following the signing of the Concession, a National Lottery licence was issued in July 2022. It shall be valid for a 10-year term, subject to the regulation and supervision of the Authority, whereby the operator is responsible for ensuring that all operations are conducted per the licence and the Authority's regulatory framework.

In this light, the National Lottery Ruling (Directive 1 of 2022) was published, delineating the applicability of the Gaming Act and the binding instruments issued thereunder in relation to the Concession. Furthermore, the Ruling repeals the effect of the National Lottery Ruling (Directive 1 of 2019), which applied to the operation of the previous concessionaire.

Under the Concession and the National Lottery licence, the new licensee is authorised to sell the National Lottery Games, comprising of Lotto, Super 5, the Grand Lottery, and any variation game thereof, along with other games that include, but are not limited to, keno lottery games, instant lotteries, and sports betting, through land-based and remote channels.

## The Sectoral Risk Assessment

The general objective of the Sectoral Risk Assessment (SRA) is to provide a deep understanding of the nature of ML/TF risks affecting the land-based and remote gaming sectors. To this end, this exercise serves the dual scope of reviewing the evolution of existing risks and vulnerabilities, as well as identifying, screening, and assessing risks that have emerged or gained significance in recent years.

During 2021 and 2022, we embarked on such an assessment whereby sector-specific vulnerabilities were analysed at a sector-wide and sub-sectorial level. The sub-sectors considered within the scope of the SRA were remote gaming, land-based casinos, gaming parlours, bingo halls (land-based), national lotteries, linked offerings and low-risk games. The analysis also naturally distinguishes between the various product verticals. The approach adopted as part of the SRA is built upon quantitative and qualitative data analysis to identify critical ML/TF vulnerabilities within the Maltese gaming sector. Underlying risks and mitigating controls were mapped and assessed to provide a basis for determining the inherent and residual risk of each sub-sector.

The purpose of the SRA is to provide us with a greater insight into the ML/FT vulnerabilities and risk factors affecting the local gaming scene and how these can impact our function as an Authority. The risks and mitigating measures have been discussed in great detail with industry representatives during 2022, aiming to confirm all the risks identified and evaluate the mitigating measures currently in place to deter illicit activity from taking place through gaming platforms.

The underlying conclusion of the SRA indicates that remote gaming operators are inherently of a higher risk level when compared to land-based gaming operators. The overarching reasons behind this are remote gaming operators' lack of face-to-face interaction and the higher volume of transactions. Nevertheless, the SRA clearly outlines several innovative controls such operators implement to deter and promptly raise alerts in cases of attempted illicit activity. Evidence also shows that remote gaming operators are amongst the top reporters regarding suspicious transaction reports, indicating that the implemented controls are highly effective.

The information gathered, compiled in a report and accompanied by a risk register, will ultimately feed into the overall national risk assessment for the country, which is being prepared by the National Coordinating Committee on Combating Money Laundering and Funding of Terrorism (NCC).

Furthermore, as part of our initiative to maintain an updated and relevant SRA, the Supra National Risk Assessment (SNRA), which the European Commission publishes, is also considered in our assessment. In this regard, we were pleased to note that most of the mitigating measures suggested by the European Commission have already been implemented by remote gaming operators licensed by the MGA.

## Responsible Gambling

Promoting responsible gambling and safeguarding players' rights remains at the core of our objectives and ensuring that players can gamble safely, mitigating the risk of gambling-related harm. To this effect, we drastically increased the number of Responsible Gambling desktop reviews conducted on B2C licensed entities. Such desktop reviews focus on specific licensee-player relationships and the responsible gambling-related functionalities accessible on the B2C operator's website. Throughout 2022, 85 responsible gambling-oriented website checks were completed. These checks seek to ensure that responsible gambling functionalities, including limits, exclusions, and reality checks, are accessible on the B2C website and functioning in line with the requirements of the Player Protection Directive.



# Regulatory Activities

## Authorisation of Gaming Licences and Certificates

	2020	2021	2022
<b>Applications</b>			
New gaming licence applications	58	52	41
Rejected/Withdrawn gaming licence applications	30	21	21
<b>Licences</b>			
Gaming licences issued	68	46	31
Termination of gaming licences	9	18	27
Cancelled licences	12	5	6
Suspended licences	3	0	4

Table 1: Online Gaming – Key figures

## Recognition Notices

Numerous requests for authorisations, such as those for gaming licences, recognition notices, certifications for key functions, and modifications to the currently licensed and granted authorisations, were submitted to the Authority throughout the period under review.



**Note:** The methodology for compiling the number of recognition notice applications has been revised as of 2022 to include both new and renewal applications. For this reason, one cannot compare the recognition notice applications for 2022 with those published in previous publications.

The methodology for compiling the number of certificates issued remains unchanged, and the figures quoted refer to the number of recognition notice certificates issued during the period under review.

Decision Type	Count
Approved	22
Referred for further consideration / procedural matters	9
Rejected	6
<b>Total</b>	<b>37</b>

### The Fit and Proper Committee

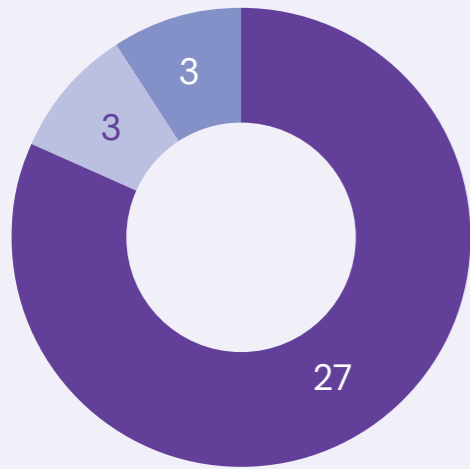
Applications are assessed on a fitness and propriety level before issuing authorisations to determine the legal and natural people associated with the potential application.

In 2022, 1,514 criminal probity checks were conducted – covering individuals, shareholders and ultimate beneficial owners, key individuals and other workers, and businesses from the land-based and online gaming industries.

Several applications of a more complex nature were also discussed at the Fit and Proper Committee level. The Committee convened 19 times, during which it took 37 decisions, of which 22 referred to approvals of applications. At the same time, six led to the rejection of assessed individuals and entities since they were not deemed fit and proper to hold the requested authorisation due to different factors, such as a higher risk of ML/TF.

A further nine decisions referred to instances wherein the Committee felt that the Authority should request additional documentation or declarations from the applicant or existing licensee before deciding on their fit and proper status to ensure their integrity and reputability.

# Supervisory Activities



**33** Total decisions taken by the supervisory council

- Approved
- Rejected
- Sent for clarification

## The Supervisory Council

Thirty-three licence applications were brought to the attention of the Supervisory Council during the 16 sessions held in 2022. Of these, 27 were approved, three were sent back to the applicant for further clarification, and three were rejected.

The Supervisory Council rejected applications due to issues concerning the financing of gaming services or supplies or on the basis of the applicant providing the Authority with inaccurate or incomplete submissions in its licence application.

## Routine Compliance Checks

**228** Desktop reviews

**28** Compliance audits

**143** Licensees subjected to a desktop review

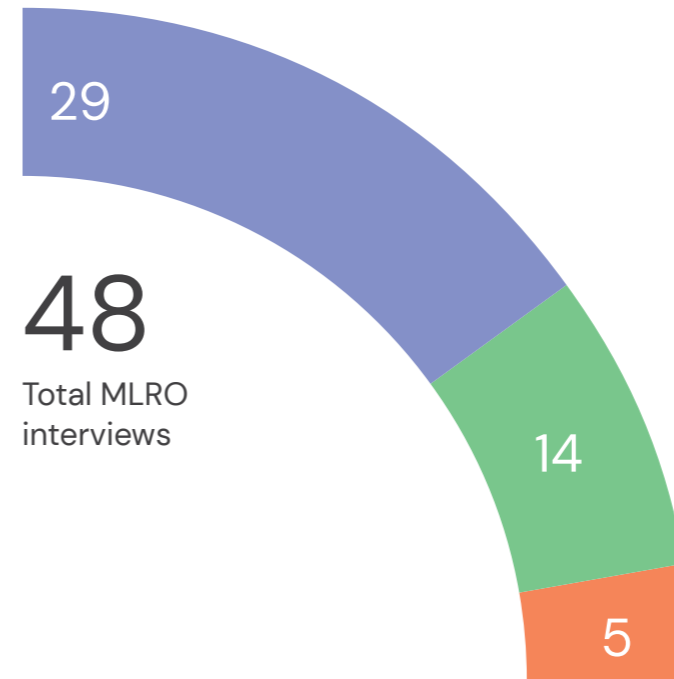
## Compliance Activities

The compliance function within the Authority ensures effective regulatory compliance throughout the lifetime of any gaming licence with the stipulated licence conditions, the relevant legislative framework, and other regulatory instruments.

Several compliance checks are undertaken to ensure that authorised persons abide by the gaming licence conditions and legislative framework. In cases when the licensee is not compliant, the Authority determines the necessary action. A total of 228 desktop reviews were undertaken and supplemented by 28 conducted compliance audits. Of these, 62.7% of reviews were conducted on licensees, while the rest were conducted on individuals on whom third parties requested information.

# AML/CFT Examinations, Interviews and Enforcement Measures

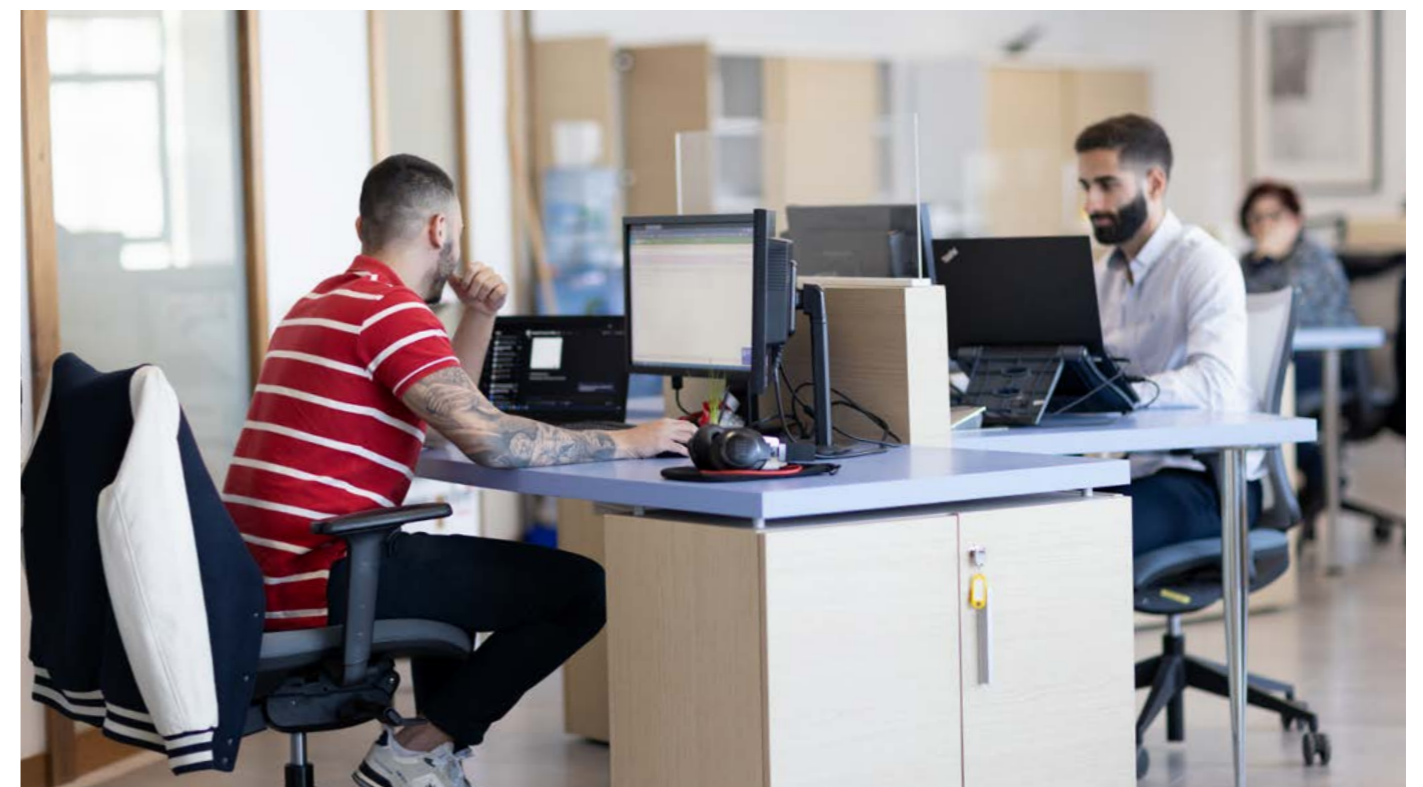
- Approved
- Conditionally approved
- Rejected



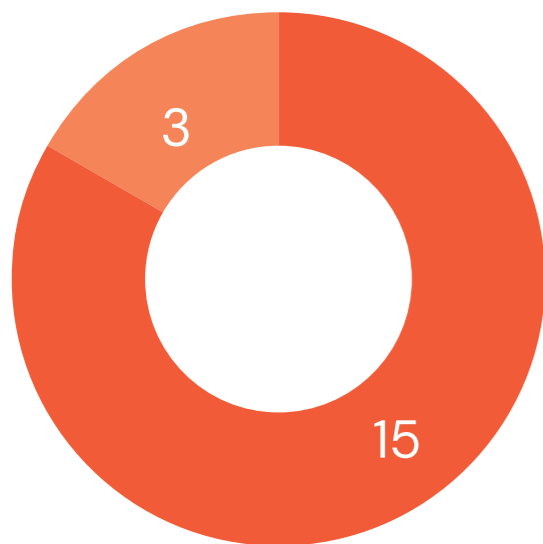
**48** Total MLRO interviews

During 2022, a total of 27 AML/CFT Compliance Examinations were carried out on licensees, out of which 13 were carried out by the MGA, eight by the FIAU and five in joint collaboration between the two authorities. Moreover, a total of 25 licensees were subject to remediation and/or administrative measures by the FIAU, based on shortcomings and breaches identified during examinations carried out by either the MGA or the FIAU in previous years. In total, administrative penalties amounted to just over €738,000.

Moreover, a total of 48 Key AML/CFT & MLRO interviews were carried out to assess the applicants' competence and knowledge and understanding of the Maltese AML/CFT legal framework. Out of these 60.4% were approved, 29.2% were conditionally approved, and the remaining candidates were rejected.



**475** Suspicious Betting Reports from licensees



**18** Contributor to 18 investigations across the globe on manipulation of sports competitions or breaches in sports rules

- Direct investigations
- Indirect investigations

**224** Alerts shared with licensees

**44** Requests for information from sports agencies & bodies

**25** Instances of data exchange

## Sports Betting Integrity Reporting

The Authority safeguards the integrity of sports betting markets through a dedicated reporting system to identify suspicious betting and contribute to the battle against sports manipulation.

Licensees and other concerned partners submitted 475 suspicious betting reports split between accounts and events, which were forwarded to the appropriate body. Reports were received concerning various sports, such as football, tennis, and esports.

As a result of the suspicious betting reports, the Authority has taken part in 18 investigations into the possible occurrence of manipulation of sporting events, of which 15 were direct, implying that the report came from MGA licensed operators, and thus betting data was shared. The remaining three were initiated by operators forming part of other jurisdictions, reporting events that concern Maltese players. The Authority assists such investigations without sharing betting data directly.



The Authority communicated 224 alerts with its licensees as part of its compliance process, 167 of which were also sent to the appropriate Sports Governing Bodies. Additionally, by responding to numerous requests for information regarding sports activity, the Authority collaborates with enforcement authorities, sports governing bodies, integrity units, and other regulatory entities worldwide.



## Ongoing Supervision of the Land-based Sector

The Authority supervises the operation of the local land-based operators to ensure that all licensed gaming activities follow the pertinent rules and regulations.

As a result, 2,738 inspections of land-based establishments took place in 2022, in addition to the 24/7 inspectorate presence in the licensed casinos and the scheduled presence at all the National Lottery licensee's drawing operations. The inspections were conducted in places that offer traditional forms of gaming, such as bingo halls, National Lottery outlets, and controlled gaming premises. Furthermore, ad hoc inspections are also carried out during non-profit tombola events.

Type of inspection	2020	2021	2022
Controlled gaming premises	2,400	2,215	1,943
National lottery outlets	907	1,573	474
Commercial bingo	182	92	214
Non-profit tombola	62	64	107

Table 2: Number of Inspections in Land-based Gaming Premises 2022

# Enforcement Actions and Legal Updates

The Authority ensures that its enforcement and investigative mechanisms are in place so that we can act and take any required action when a natural or legal person violates the rules emanating from the Maltese regulatory framework. In total, the Authority issued a total of €179,150 in administrative penalties comprising of penalties imposed on its licensees and also on unauthorised entities which were offering licensable services without being duly authorised.

## The Compliance and Enforcement Committee

The MGA's Compliance and Enforcement Committee identifies and decides the appropriate enforcement measure to be meted out when an authorised or unauthorised person is found in breach of the regulatory framework.

During the 20 sessions held by the Committee in 2022, 82 decisions were taken, 37 of which resulted in an enforcement action. Three regulatory settlements concerning the provision of unlicensed gaming activities were issued, amounting to a total of €123,450.

Type of Enforcement Action	2020	2021	2022
Number of warnings	69	64	10
Number of administrative penalties	24	31	16
Number of suspended licences	4	0	4
Number of cancelled licences	12	7	6

Table 3: Number of Enforcement Actions 2022

## Legal Updates

Throughout 2022, the Authority acted as advisor to the Ministry for the Economy, European Funds and Lands on the technical aspects related to the Concession for the Rights of the National Lottery of Malta. Pursuant to the signing of the Concession, the Authority drafted and introduced the National Lottery Ruling (Directive 1 of 2022) and issued the National Lottery Licence to the National Lottery Concessionaire, valid for a ten-year period. Amendments were also made to the Gaming Tax Regulations (S.L. 583.10) to align the legislative framework with the Concession and Ruling.

