

eGaming  
MANUAL

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## eGaming

### Finanz – Audit Limited

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## I. INTRODUCTION

### *1. THE FIRM*

Actively in business since 2014, Finanz-Audit Limited, is an excellent service provider for Maltese and international companies. A comprehensive range of audit, consulting and financial advisory services are offered.

Superior client service is provided with professional objectivity and working with diligence to preserve the trust of clients. Each client is treated with strict confidence and services are offered to any kind of business, from the sole entrepreneur to the large multinational corporation.

The foundation of our success lies, in the expertise of our 'high-caliber' staff. Their skills, knowledge, professionalism and energy enable us to provide prompt, efficient and high quality services.

## **II. E-GAMING**

### **2. OVERVIEW**

Malta represents approximately 10% of the global eGaming market.

Typical licensable games and activities regarding Maltese registry include online book makers, betting exchanges, online casinos, casino – type games, lotteries, bingo operations, marketing companies and gaming platforms, although the regulations do not specify what type of games are licensable and any game can be presented by the operator. Also all forms of devices can be used (including, but not limited to, internet, digital TV, mobile phone technology and telephony).

The Malta Gaming Authority (MGA) is the single, independent, regulatory body responsible for the governance of all gaming activities in Malta, both online and land - based.

#### **2.1. GAMING SECTORS**

- Remote gaming
- Advertising lotteries
- Casinos
- Gaming devices
- Non-profit games
- Amusement machines
- Commercial Bingo Halls
- National Lottery
- Recourse bets and sweepstakes

## 3. REMOTE GAMING

### 3.1. CLASS OF LICENCE

Remote gaming sector in Malta is regulated under the provisions of the Remote Gaming Regulations and administered by the Lotteries and Gaming Authority (LGA).

The regulations are divided into four classes depending on the type of operation for which the company applies for.

**Class 1** Remote Gaming Licence shall be a remote gaming licence (online gaming). Operators applying for this licence shall manage their own risk by offering players repetitive games which results depend on random generation e.g.: casino type games, slots and other games of chance.

**Class 2** Remote Gaming Licence shall be a remote betting office licence (online betting offices or online betting exchange offices). Operators operating this licence manage their own risk by offering bets on events based on a matchbook e.g.: fixed-odds betting.

**Class 3** Remote Gaming Licence shall be a licence to promote and, or abet remote gaming from Malta (the promotion and abetting of gaming from Malta). e.g.: poker networks, bingo networks, betting exchange and other pool and Player to Player (P2P) games.

**Class 4** Remote Gaming Licence shall be a licence to host and manage remote gaming operators, excluding the licensee himself (hosting and managing third – party online gaming companies in Malta). Operators with this licence are B2B operators that provide management and hosting facilities on their gaming platform to other B2C operators and EEA licensees.

In addition, we distinguish 3 following types of licence:

**Class 1 on 4** For operators offering all types of games of chance and games of skill operating on an existing Class 4 licensee.

**Class 2 on 4** For operators who run a remote betting office on an existing Class 4 licensee.

**Class 3 on 4** For operators who promote gaming in return for a commission on an existing Class 4 licensee.

On the website of MGA there is a list of licensed<sup>1</sup> or suspended<sup>2</sup> operators, where we can find a name of the company, registration number, licence number, platform and licence class. There is also a list of EEA<sup>3</sup> Licensed operators, where we can find a name of the company, platform and licensing jurisdiction.

### **3.2. APPLICATION PROCESS**

In the application stage the MGA assesses whether an applicant:

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

The first three components is completed within 12 to 16 weeks, assuming all information is complete and correct.

Remote gaming licensee is subject to minimum issued and paid-up share capital requirements.

1. Class 1 and Class 2 license holders are required to retain a minimum share capital of €100,000.
2. Class 3 and Class 4 licensees are required to retain a minimum share capital of €40,000.
3. Companies with multiple licenses are required to meet the above share capital requirements cumulatively up to a minimum capping of €240,000.

Once all three areas are successfully completed the MGA and the application was successful, the company must prepare to go live within 60 days after which the application will be considered as suspended and subject to re-application. The Licensee has to submit the “Go Live Date”, which must be not be later than 60 days from the issuance of the license. Within those 60 days the applicant may require for an external systems audit (performed by an independent 3rd party contracted by the MGA against a fixed market price).

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<sup>1</sup> <http://www.mga.org.mt/gaming-sectors/remote-gaming/licensed-operators/>

<sup>2</sup> <http://www.mga.org.mt/gaming-sectors/remote-gaming/suspended-operators/>

<sup>3</sup> <http://www.mga.org.mt/gaming-sectors/remote-gaming/eea-licensed-operators/>

The applicant must appoint a key official approved by the LGA, who must be a director of the company and resident in Malta. The key official is responsible for the operations of the company and shall ensure that the company complies at all times with the laws and regulations and the conditions of the licence.

On successful completion of the certification process, the Authority issues a five year license. Any changes from the original license (for example rules of the game or changes to the gaming equipment) must be submitted to MGA for approval.

The MGA 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 MGA against a fixed market price.

### **3.3. GAMING TAX**

Gaming tax is differentiated according to the type of gaming operations and shall become due from the date that the gaming operation has been commenced (unless otherwise specified by the Authority).

Class 1	Euro4,660 per month for the first 6 months. Euro7,000 per subsequent month
Class 1 on 4	Euro1,200 per month
Class 2	0.5% on the gross amount of bets accepted
Class 3 and Class 3 on 4	5% of real income
Class 4	<p>Nil for the first 6 months of operation, Euro2,330 per months for the subsequent 6 months, and Euro4,660 per subsequent month for the entire duration of the licence.</p> <p>the Class 4 licensee shall also pay a monthly tax of Euro1,165, for every operator which is not in possession of the relevant Class 1, Class 2 or Class 3 licence in terms of these regulations, being hosted and managed by the Class 4 licensee on its platform.</p>

In all cases the tax due from each licensee shall be paid monthly by not later than 20th day of the following month.

In all cases the maximum tax payable by one licensee in respect of any one remote gaming licence, per annum, shall not exceed Euro466,000.

### **3.4. PLAYER PROTECTION**

In fact, the operator has to follow particular rules regarding player protection, including:

1. Players funds to be kept separate from Licensee's own funds;
2. Licensee shall instruct and authorize the credit financial institution by which a players' account is held to disclose any information as may be requested by the Authority to the LGA;
3. Funds in the player's account, including funds in transit or in the process of being cleared through the banking system must be at all times at least equal to the aggregate of the amount standing to the credit of players' account held by the licensee.

### **3.5. AUDIT OF A REMOTE GAMING COMPANY**

The MGA performs system audit prior to Go Live date.

The remote gaming company is obliged to carry out compliance audit by an independent firm within one year from the License date. The form for compliance audit should be submitted within the first year of operation. The MGA shall require a second audit of the operation halfway through the lifespan of a licence. The MGA may impose further compliance audits should the need arise.

LGA requires the audit to take place on the following schedule:

1. Within 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 the regulations; operational nature of the license and misconduct.

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

Compliance audit fee must be paid in advance for the execution by the Authority's approved third party Certifiers / Auditors.

Audited accounts are required by MGA to be submitted annually in order to analyse the overall operational and financial performance of the Licensee.

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On a monthly basis, the Licensee has to submit the following reports:

1. Gaming Tax report.
2. Gaming Logs.
3. Player Balances in the Gaming System.
4. Players' Bank Account Statements.