



INVESTING IN MALTA...
BRINGS THE ODDS TO YOUR FAVOUR

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With 7,000 years of history behind it, Malta is a modern country with an open market economy, excellent economic track record, low inflation rate with a strong financial and avant-garde ICT infrastructure.

Why Invest in Malta?

Malta has a dynamic economy based on international trade and international business. Amongst its achievements, Malta has built a sound and competitive manufacturing and services base that does not rely only on its favourable geographic position, but also on its multi-skilled, multi-lingual workforce. Our country offers political stability, healthy industrial relations, a pleasant and secure living environment and evident cost advantages together with high productivity levels, a good infrastructure set-up with advanced telecommunications, and a more than adequate air and maritime distribution network.

Air links with all major European, North African and Middle Eastern destinations are both frequent and efficient. Shipping lines are served by excellent natural harbours while international shipping companies provide both conventional and roll-on/roll-off services transporting merchandise to ports across the Mediterranean, Europe, Asia and the Americas.

Why Malta?

- Multi-lingual and highly skilled workforce.
- Dedicated, competitively priced human resources.
- Exceptionally high productivity levels.
- A 'can do' business environment.
- A range of incentives aimed at facilitating investment.
- Consistently pro-business government policies.
- Strategic location and marketing advantages.
- Growing markets quickly accessible from Malta.
- Top business support services.
- Excellent telecommunications.
- State-of-the-art transshipment and distribution facilities.
- Social and economic stability.
- A pleasant lifestyle.

Competing for foreign direct investment in an aggressive worldwide market, Malta's strategy is clearly defined. During the past four decades Malta has been exceptionally successful in attracting foreign direct investment. The country has notched up an impressive record in attracting foreign investors, who continue to re-invest in their production and service facilities in Malta.

In fact, many are the world class companies that already successfully operate on the island in healthcare, pharmaceuticals, financial services and aviation.

Indeed, Malta offers a highly competitive and diverse investment location for high value added industries and service providers particularly those engaged in ICT, back office operations and call centres.

In Malta, ICT is considered to be a pivotal activity with major developments taking place in e-commerce, m-Commerce and e-Government. In the last years, the

Maltese Government has invested heavily in the technology infrastructure and has built an e-Government framework rated by the European Commission as the number one of all member states.

Effectively, Malta is well positioned to provide a competitive advantage to suit niche operators and it can boast of a truly modern support infrastructure. There is already a significant presence of both indigenous and foreign systems development companies in Malta providing a host of services. This is why most leading European firms have set-up a base to capitalise on the cultural and economic advantages that Malta has to offer. The Maltese ICT cluster is versatile and diversified. Malta is a prime candidate for the outsourcing of specialised ICT services, such as systems design and integration, software development, application implementations and hosting, skills training and help-desk support.

Competitive advantages for Malta in the ICT maintenance sector

- The availability of specific skills in ICT – Malta is the regional training centre for Cisco, IBM, Microsoft and Oracle.
- Central European Time (CET) zone.
- Quick adaptation to innovation.
- Flexibility and multi-tasking in a product driven environment.
- Attractive cost structures and low social security costs for employers.
- Freedom of movement of labour and capital within the EU.

Given that Malta is a small nation state makes it an ideal test-bed for innovative technology solutions and pioneering cutting edge developments. Maltese companies have in fact developed in-house expertise in custom-built and packaged software solutions tailored both towards the SME segment and large enterprises. These companies have developed skills across different technology platforms and business applications, providing a diversity of services and solutions to the modern business environment.

The on-going investment by the Maltese Government in Malta's technological infrastructure places Malta among the top knowledge economies in the world, offering one of the most progressive environments for remote gaming, IT and e-Business activities. The presence of various operators who are already benefiting from these advantages and new ones who are forthcoming re-affirms Malta's attractiveness as a business process outsourcing location.

Despite its smallness and unavoidable overlap of vested interests, this country has managed to transform itself into an adult member of the EU and continues to attract visitors and investors alike.

The Business Case for Malta

- Strong national commitment to attract foreign investment.
- Long-standing experience in FDI.
- High levels of productivity and profitability of investment.
- High product quality.
- Available of industrial premises at competitive costs.
- Incentive packages on a number of operational areas.
- Support from Malta Enterprise.
- Valued close economic and cultural ties with neighbouring countries.
- Malta is home to over 200 world class companies which account to over 85% of Malta's business output.

REMOTE GAMING
**APPLICATION
PROCESS**

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.

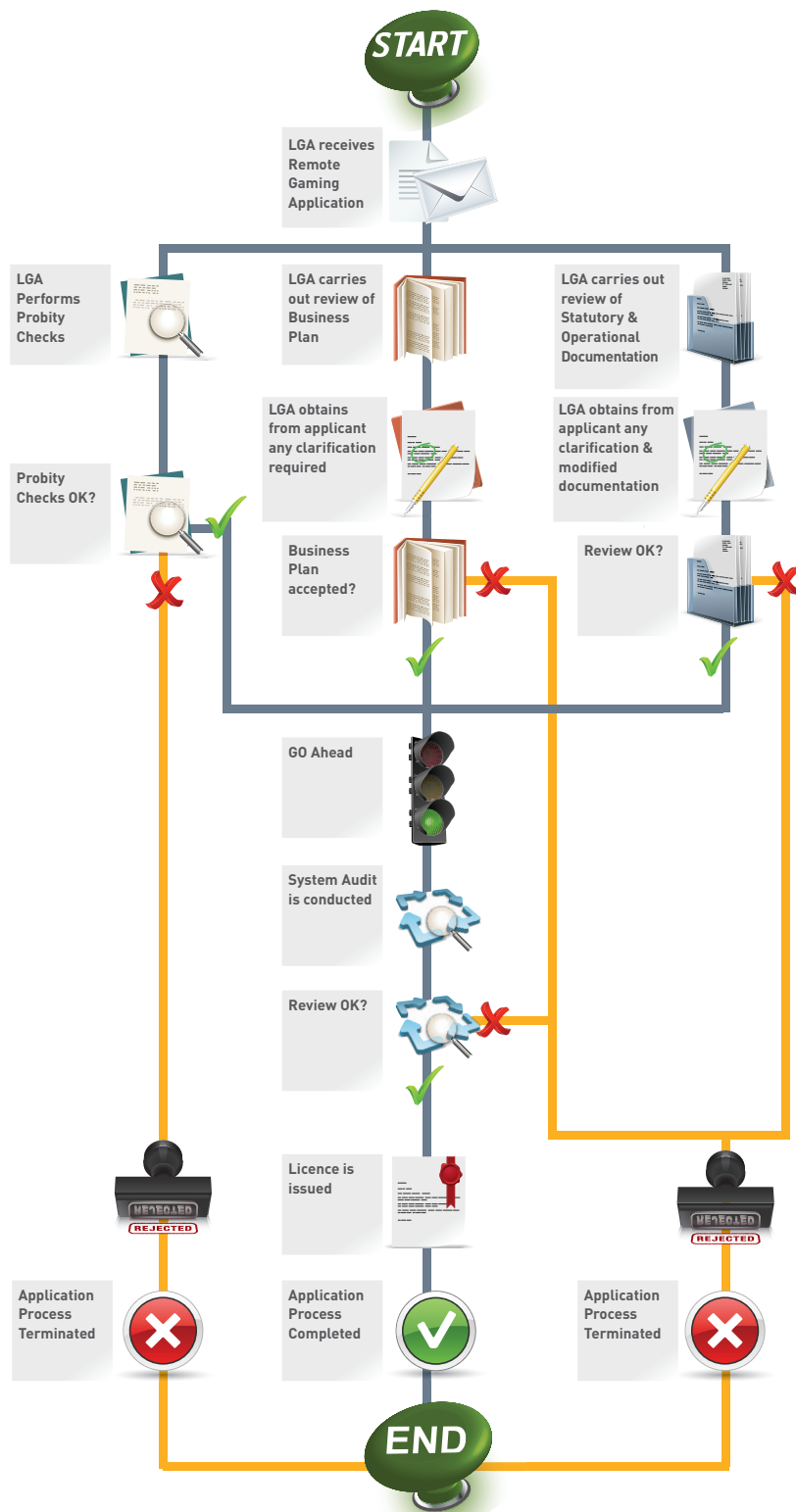
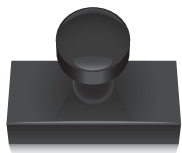
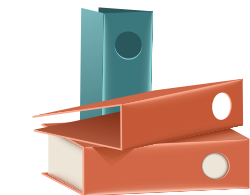
05 Compliance Audits

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.



FINANCIAL & OPERATIONAL ACTIVITY REPORTING

Financial and Operational Activity Reporting

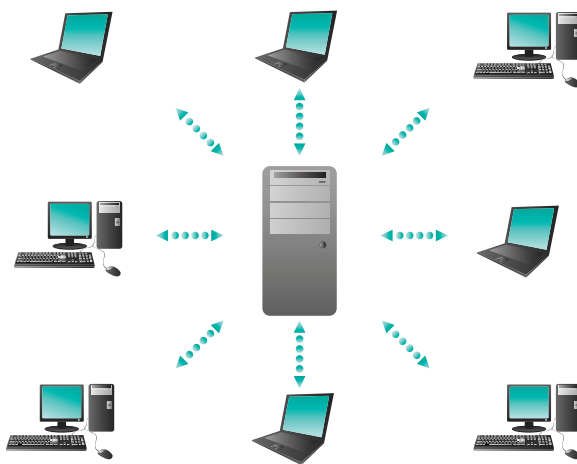
On successful completion of the remote gaming application process, the applicant, now a Licensee is awarded with a five year Licence. The Licensee will be notified that he/she has to submit the "Go Live Date" and prior to this date the gaming equipment has to be sealed by LGA representatives in the presence of the Licensee Key Official. Once the gaming equipment is sealed, any changes to the gaming equipment, like rules of the game or any other intended changes from the original Licence application have to be submitted to LGA for approval.

The following are other major reports required by LGA to monitor the overall gaming activity.

1. **Incident reporting** – A process for change requests to the approved infrastructure, upgrades and maintenance of the gaming equipment.

Incident reporting is also used to report any failures to the gaming equipment hardware whereby LGA seals had to be broken due to unforeseen circumstances. In such an eventuality an appropriate report is to reach LGA within 24hrs from when the equipment has been tampered with.

2. **Decommission** – Used to acquire an approval from LGA to remove or move the gaming equipment.
3. **Yearly audited accounts** – This comprehensive report is required by LGA to analyse the overall operational and financial performance of the Licensee. On a monthly basis, besides this report, the Licensee has to report the following, but does not exclude any other reports not mentioned.
 - a. Gaming Tax report.
 - b. Gaming Logs.
 - c. Player Balances in the Gaming System.
 - d. Players' Bank Account Statements.



Network Activity Monitoring

Network Activity monitoring is used by LGA to monitor real time data of the overall activity and performance of the Licensee gaming equipment. Technical experts within LGA continuously analyse the live gaming activities to intercept any suspicious gaming activities.

The LGA has a principle of non-intrusive monitoring and in this regard ensures that monitoring network activity is not burdensome on the operation of the Licensee.

ADMINISTRATIVE **FEES & TAXATION**

Administrative and Licence Fees

Administrative and Licence Fees as per Second Schedule of the Remote Gaming Regulations (S.L. 438.04) issued under the Lotteries and Other Games Act (Cap. 438 of the Laws of Malta).

Fee	€	
Application Fee for New License	2,330	Paid upon application for a remote gaming licence
System Audit	1,770	Fee paid in advance for the execution by the Authority’s approved third party certifiers / auditors
Licence Fee	8,500	Per Annum per licence
Application Fee for Renewal of Licence	1,500	Paid upon application for renewal of licence
Approval Fee for Transfer or Assignment of Licence	1,500	Paid upon application for approval
Approval of Share Transfer	1,500	Paid upon application for approval
Approval of Simple Contractual Commercial Agreements	70	Per Annum per contract. Aggregate amount for approved contracts shall not exceed €30,000 Per Annum
Approval of Complex Joint Venture Agreements		Administrative hourly fee which is predetermined and communicated prior to the commencement of approval process

Other Compliance Fees

Fee	€	
Compliance Audit	2,750	Fee paid in advance for the execution by the Authority’s approved third party certifiers / auditors

Tax Schedule

Tax Schedule as per Fourth Schedule of the Remote Gaming Regulations (S.L. 438.04) issued under the Lotteries and Other Games Act (Cap. 438 of the Laws of Malta).

Tax	€ / %	
Class 1 Licence	4,660	For the first 6 months
	7,000	Per Month for the entire duration of the licence
Class 1 Licence operating on a hosting platform in possession of a Class 4 Remote Gaming Licence (Class 1 on 4)	1,200	Per Month for the entire duration of the licence
Class 2 Licence	0.5%	Of the gross amount of bets accepted in remote betting operations
Class 2 Licence operating on a hosting platform in possession of a Class 4 Remote Gaming Licence (Class 2 on 4)	0.5%	Of the gross amount of bets accepted in remote betting operations
Class 3 Licence	5%	Of real income
Class 3 Licence operating on a hosting platform in possession of a Class 4 Remote Gaming Licence (Class 3 on 4)	5%	Of real income
Class 4 Licence hosting and managing other remote gaming operators	Nil	For the first 6 months
	2,330	Per Month for the subsequent 6 months
	4,660	Per Month thereafter for the entire duration of the licence
Class 4 licensee hosting and managing an operator which is not in possession of the relevant Class 1, 2 or 3 licence in terms of the regulations, however hosting an EEA licensed Business to Consumer operator	1,165	Per Month per operator, paid by the Class 4 Licensee
Remote Gaming Tax Capping per licensee per remote gaming licence	466,000	Per Annum

PREVENTION OF MONEY LAUNDERING & FUNDING OF TERRORISM

Prevention of Money Laundering and Funding of Terrorism

Malta is a reputable hub for financial services committed to deter, detect, and disrupt money deriving from criminal activity and the funding of terrorism and crime.

As a member of the European Union, Malta has implemented all EU Directives regulating the prevention of money laundering. Furthermore, Malta is part of MONEYVAL (the Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (formerly PC-R-EV)), established in September 1997 by the Committee of Ministers of the Council of Europe to conduct self- and mutual-assessment exercises of the anti-money laundering measures implemented in Council of Europe countries.

Since 1989 Maltese Casinos started introducing specific anti-money laundering procedures. This process has been continuing with Malta implementing the provisions of Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 by means of the Prevention of Money Laundering and Funding of Terrorism Regulations (Legal Notice 180 of 2008).

Malta is not listed in any international blacklist of countries which are likely to be used for money laundering activities. Malta actively participates in initiatives adopted at international levels such as by the EU Committee on the Prevention of Money Laundering and Terrorist Financing, the MONEYVAL Committee of the Council of Europe, the Financial Action Task Force against money laundering and the OECD.

The principal sources of Maltese law on money laundering as a criminal activity and the prevention thereof are two statutory instruments, namely the Prevention of Money Laundering Act (Act XIX of 1994, as amended), augmenting other provisions found in the Criminal Code, and the Prevention of Money Laundering and Funding of Terrorism Regulations, 2008. Furthermore, subject persons are also required to comply with detailed Implementing Procedures on the Prevention of Money Laundering and Funding of Terrorism published by the Financial Intelligence Analysis Unit (FIAU).

By virtue of the Prevention of Money Laundering Regulations, the Lotteries and Gaming Authority (LGA) is a supervisory authority that is bound to monitor the operation of all its licensees and report to the FIAU any suspected money-laundering or terrorist funding activity.

It is the duty of the Lotteries and Gaming Authority Malta to issue or renew a licence applied for under the Remote Gaming Regulations (LN176 of 2004) after it is reasonably satisfied that all persons involved in the applicant company are fit and proper persons and ascertain that the applicant has followed policies and will take affirmative steps to prevent money laundering and other suspicious transactions.

Henceforth, the applicant is obliged to provide the authority with the necessary due diligence documents in respect of its key officials, directors and shareholders. The due diligence exercise ensures the suitability of all persons involved in the conduct of gaming operations in and from Malta.

The license procedure will meticulously ascertain that the applicant has followed policies and will take affirmative steps to prevent money laundering, terrorist funding and other suspicious transactions. In fact such procedures must include:

- The Human Resources Roles & Responsibilities document should include the role and responsibilities of the MLRO.
- The Human Resources Roles & Responsibilities document should include the role and responsibilities of the Key Official.
- Fraud Management Procedures.
- Know Your Client (KYC) Procedures.
- Anti Money Laundering (AML) Procedures.
- Payout Management Procedures.

A guideline process for the registration of players and suspicious transaction reporting is depicted below and is considered as a minimum standard by the LGA for the prevention of money laundering and funding of terrorism.

