



# Remote Gaming Update 2013



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# Editor's Note



**Mark Adrian Sammut**  
Editor, Remote Gaming Update  
Lotteries and Gaming Authority

Welcome to the 9th Edition of the Remote Gaming Update. This year's feature packed edition paints a clear picture of the trends the industry is following and will definitely be a good read to any company seeking the most appropriate jurisdiction to operate in.

In his opening speech the Chairman describes how "Tight-knit financial and gaming regimes prove that Malta as a jurisdiction takes policy planning seriously and faster than most other jurisdictions." This year the LGA is celebrating its 10th Anniversary and the CEO gives an account of how the LGA evolved since its inception, while the Chief Strategy Officer describes "the next revolution" of regulating Digital Games of Skill with prize.

As a way of ensuring that the industry update is described in as many angles as possible, the service providers were given the opportunity of expressing their views in various articles. This year's publication includes articles analysing the financial opportunities of relocating to Malta, technological updates in terms of hosting and connectivity opportunities, top tips on how to cut costs and ensuring a smooth process of applying for a license and much more.

We would like to take the opportunity to thank our advertisers for their support and collaboration. I would also like to thank Alexis Falzon, without whose assistance this publication would not have been possible. Whilst hoping that you find this year's edition to your liking, as always, we look forward to your feedback and suggestions on [info@lga.org.mt](mailto:info@lga.org.mt)

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STRATEGIC DIRECTION OF MALTA'S

# Gaming p



If you've been following us, you should have a good taste of the strategic direction of the Malta's gaming policy. Tight-knit financial and gaming regimes prove that Malta as a jurisdiction takes policy planning seriously and faster than most other jurisdictions.

Our no-nonsense management team and dedicated staff are the recipe to the reaction speed and agile approach to regulation the LGA has adopted. One clear example is the development and regulation of digital games with prize whereby Malta will offer a dual platform for investors to make leverage for the corporate and investment promotion schemes, whilst subscribing to the benefits of regulation under the new Digital Games Regulations. Another interesting venture are the Cruise Ship regulations.

First in their kind, these regulations find the balance between effective regulation that properly protects players, a tax

regime that allows the industry to expand and a flexible strategy that approaches the future of gaming in an innovative and responsible way. This is the reason behind Malta's attractiveness, but in true LGA style, we will not be stopping there. LGA will revisit its licensing regime, making sure it is small-business friendly. We will ensure the Remote Gaming Regulations are mobile and social media game friendly. Or else we'll create a separate regime. At a European level we will continue assisting Government in placing the Malta position and ensuring that Malta's legal framework, which is in line with the EU Treaty is not overstepped by actions that go contrary to the very spirit of the EU Internal Market Principles.



**Nick Xuereb**  
Chairman  
Lotteries and Gaming Authority



Today the LGA manages an active 425 licences - and growing. In the last months of the year LGA received 60 new applications for remote gaming and a large number of requests relating to Digital Games with Prize. It is not within our nature to rest on our laurels, with 2013 seeing us once again go back to the drawing board, studying global trends, industry standards and best practices. The policy direction and strategy we will implement by the end of 2013 will see us move towards our objective of being amongst the world's 'Right Touch' regulators. Your support will help us keep it real.

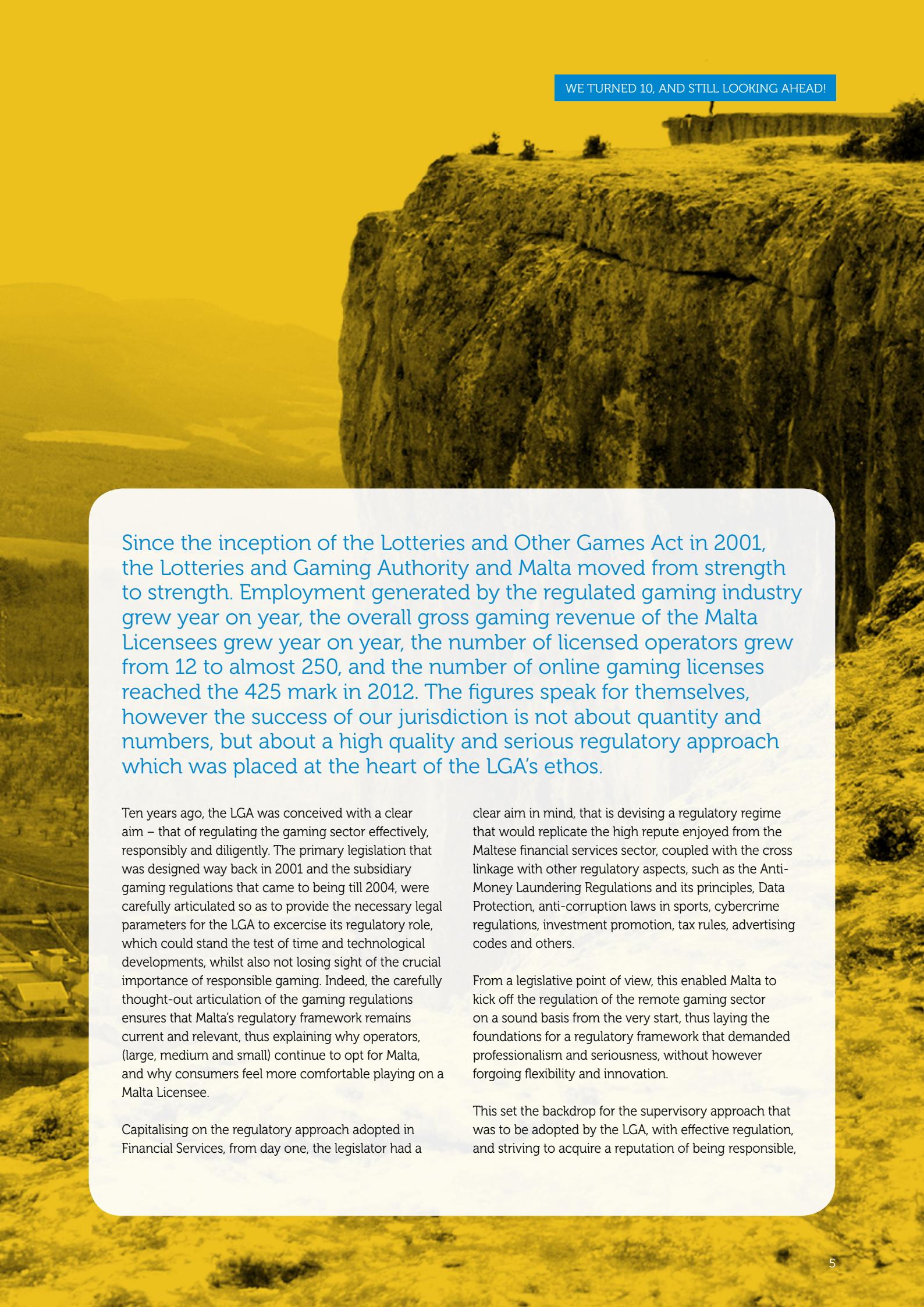
Thank you for believing in us.

WE TURNED 10, AND STILL LOOKING AHEAD!



**Reuben Portanier**  
CEO  
Lotteries & Gaming Authority

We turned 10,  
**& STILL  
LOOKING  
AHEAD!**



Since the inception of the Lotteries and Other Games Act in 2001, the Lotteries and Gaming Authority and Malta moved from strength to strength. Employment generated by the regulated gaming industry grew year on year, the overall gross gaming revenue of the Malta Licensees grew year on year, the number of licensed operators grew from 12 to almost 250, and the number of online gaming licenses reached the 425 mark in 2012. The figures speak for themselves, however the success of our jurisdiction is not about quantity and numbers, but about a high quality and serious regulatory approach which was placed at the heart of the LGA's ethos.

Ten years ago, the LGA was conceived with a clear aim – that of regulating the gaming sector effectively, responsibly and diligently. The primary legislation that was designed way back in 2001 and the subsidiary gaming regulations that came to being till 2004, were carefully articulated so as to provide the necessary legal parameters for the LGA to excercise its regulatory role, which could stand the test of time and technological developments, whilst also not losing sight of the crucial importance of responsible gaming. Indeed, the carefully thought-out articulation of the gaming regulations ensures that Malta's regulatory framework remains current and relevant, thus explaining why operators, (large, medium and small) continue to opt for Malta, and why consumers feel more comfortable playing on a Malta Licensee.

Capitalising on the regulatory approach adopted in Financial Services, from day one, the legislator had a

clear aim in mind, that is devising a regulatory regime that would replicate the high repute enjoyed from the Maltese financial services sector, coupled with the cross linkage with other regulatory aspects, such as the Anti-Money Laundering Regulations and its principles, Data Protection, anti-corruption laws in sports, cybercrime regulations, investment promotion, tax rules, advertising codes and others.

From a legislative point of view, this enabled Malta to kick off the regulation of the remote gaming sector on a sound basis from the very start, thus laying the foundations for a regulatory framework that demanded professionalism and seriousness, without however forgoing flexibility and innovation.

This set the backdrop for the supervisory approach that was to be adopted by the LGA, with effective regulation, and striving to acquire a reputation of being responsible,

responsive and diligent as being key principles. Looking back since late 2002, - this approach - which was sustained and improved across the years, did produce excellent results.

The LGA's corporate ethos of 'continuous improvement' is the main driver for not falling into the trap of complacency as a regulator. The industry is so fast moving, both in gaming models and in technological innovation, that in order to truly regulate effectively, the LGA (or any gaming regulator that wants to truly regulate effectively) can ill-afford not to keep itself abreast with the speed of innovation. In truth, the core competency of the online gaming industry is not gaming in itself, but is INNOVATION (together with technology) and its use in online gaming.

In 2012, the LGA was awarded the Fast50 award for the second consecutive year, as a recognition of being a regulatory body that seizes innovation and diligence. In the recent 'Austria v Omer and Dickenger' ECJ case, in its ruling, the ECJ stated that Malta's regulatory system is of a high level and is 'sophisticated', whilst the European Commission, in its launch of the Green Paper on the future of Online Gambling described Malta's success in this sector as a result of also having a strong regulatory system. Such independent recognitions, are certificates that recognise good practice, diligence, responsibility and relevance.

On the other hand, the LGA ethos of continuous improvement does not allow the LGA to sit down and be fulfilled with positive statements made by other institutions. Acquiring a reputation of being innovative and diligent is tough to achieve. Gaining the trust of consumers in the Maltese regulatory regime and approach is even more tough to achieve. Maintaining the momentum and even incrementing it is by far more challenging than just acquiring high standards. In this context, LGA's strategic outlook is based on further embracing technology in all senses. The consideration of new technological developments for supervisory purposes is high

on the 2013 agenda, including the creation of a central online player self-exclusion system linked across all LGA licensees. Further on the technological front, the LGA shall shortly be embarking on a 'cloud computing architectural review' which shall provide the Authority with a more intimate understanding of how and under which parameters 'cloud technologies' can be effectively regulated in the field of online gaming.

### **Significant improvements in the post licensing processes were also implemented, whilst the pool of external independent reviewers was widened in order to cater for the additional post licensing requirements, such as further interim reviews and audits across the term of the license**

Over the last three years, the LGA implemented significant changes to the licensing system, which augmented the number of audits and reviews on applicants and licensees, whilst implementing a license procedure which is transparent and clear to the applicant. Significant improvements in the post licensing processes were also implemented, whilst the pool of external independent

reviewers was widened in order to cater for the additional post licensing requirements, such as further interim reviews and audits across the term of the license.

Improvements to the remote gaming regulations placing more legal clarity on the breadth of operations of the Business to Business sector were positively received by the legislator and implemented in April 2011, whilst the inclusion of the gaming sector in the Highly Qualified Persons Tax rules were also implemented towards the end of 2011. The results are indeed very positive, whereby existing licensees are moving more highly specialised functions into Malta, whilst a number of the larger European Tier 1 operators which were established and licensed in other jurisdictions, have either relocated or are in the process of relocating to Malta, thus strengthening even further the license base in Malta which as from 2013 shall have almost all of the top European operators licensed and operating from Malta.

The work performed by the LGA and the legislative framework alone, are not the only components in the achievement and quest for a jurisdiction of high standards. Ensuring that licensed operators are compliant with the regulations, is taken

very seriously, with the LGA's Enforcement Management Directorate being kept quite busy along the years. In this context, player protection mechanisms ranked high on the LGA's agenda, with some operators who did not manage the players' segregated funds according to law which were reported to the police and convicted.

Along the years, Malta's private sector service providers, which account to almost 3,000 people servicing the industry, and which include the telecom operators, data centre operators, law firms, audit firms, testing labs, banking and payment institutions, and consultants all invested heavily in their gaming knowledge and capacity base, which continues to contribute to an effective regulatory approach. Malta's approach in having an open and competitive regulated market would not have produced results without the top notch private sector specialists which serve the gaming industry. Malta can proudly boast in having the predominance of the best service providers in the field of gaming throughout Europe...a supporting sector which developed over the last 10 years.

The Maltese Gaming ECO-SYSTEM is also made up of the gaming operators themselves, which continue to believe in the relevance of Malta. New and market leading operators have recently relocated to Malta, a number of established operators are further increasing their footprint into Malta, whilst the Highly Qualified Persons Scheme has contributed into bringing in technical specialists, thus establishing further functions in Malta, such as software development.

The market is still undergoing major transformation, whereby over the past two years there was a significant increase in mergers and acquisitions (M&A). Such M&As bring about changes in the corporate politics of affected organisations, however, in the main the new corporate politics did not see a consolidation away from Malta, but a consolidation in Malta. We anticipate that such a market evolution will continue to occur with the same intensity throughout 2013 – an evolution which is taking place both for the purposes of economies of scale and for building market resiliency in a Europe which is opening in a fragmented way.

One of the LGA's roles as defined by the Lotteries and Other Games Act, is to act as an advisor to Government on gaming

issues. Government made full use of this function under the law over the years, especially on matters that involve EU matters. The LGA diligently and responsibly was always there to support Malta in its positions made with the European Institutions, and shall continue to do so in the years to come. As advisors to Government, the LGA provides technical inputs and recommendations to Government on changes to legislation or new legislative frameworks. Over the past year, the LGA actively made considerable research in finding ways how to effectively regulate other forms of gaming such as regulating casinos on cruise ships and regulating digital games of skill with prize. In this regard, 2013 will see the LGA being yet again the flag bearer of a 'World First' with the launch of a dedicated regulatory framework for games of skill with prize, a framework which has already caught the attention of the top global publishers of digital games. Such a framework will complement Malta's efforts in attracting digital gaming publishers to Malta.

The '2013 Remote Gaming Update' provides further interesting insights and opinions on Malta's efforts in taking the industry forward in 2013, which I am sure will provide interesting and informative reading to the various industry stakeholders.





# TOP COST CUTTING TOOLS



**Savas Manyasli**  
**Founder and Solution Architect**  
DAIS Software Limited

"Cost", is the most important factor in all new start-up companies. Absence of solid revenue stream or abundant capital highlights the importance of cost management. Investing in low or long-term return areas or services are the most costly ones albeit the important ones especially in a high competition environment because they will help your company to provide better service compared to competitors.

The most efficient way to overcome this dilemma is by outsourcing auxiliary, non-revenue generating services. Many successful CEO's employing outsourcing services and focusing only what matters most. This is in effect for a lot of companies but most important for new start-ups. And that is why it is also important for development of Maltese economy.

As a jurisdiction, Malta offers immense legal and regulatory advantages to companies which are in service sector, like banks, insurers, funds and most importantly i-gaming companies. Influx of new business is becoming a rightly deserved national pride. However advantageous legal and regulatory frameworks alone is not enough to start-up or relocate a business, also equally important is the availability of auxiliary services.

During the last decade Malta became an important player at the global arena for service sector companies. Together with this developing business, accumulation of know-how and fast developing IT and telecom infrastructure along with the skilled IT specialists led to the establishment of many auxiliary service providers, which currently contributes to the undeniable success of i-gaming sector in Malta.

The range of the outsourced services in i-gaming varies extraordinarily from HR to data hosting to customer analysis. Especially, IT related service companies having a boost from outsourcing activities and specializing on specific areas so much that, their services are demanded not only in Malta but in other markets as well.

It is imperative to find the right outsourcing partner. Companies could choose according to their cost expectations, required skills or quality of the work from available service providers in local market. However most impressive thing is, all these choices are currently available in Malta. The rich spectrum of service providers provides a healthy environment for new business start-ups and by doing so increasing Malta's importance as an outsourcing hub.

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# DIGITAL GAMING

## Malta's Role as a Hub for Software Development



**Dr Andrew J. Zammit**  
Managing Partner CSB Advocates  
Director- Legal & Regulatory CSB Group

## Malta's service economy has experienced staggering developments over the past ten years. The benefits that have been gained through the dedicated improvement of the island's technological infrastructure are marked and clear, and most importantly are paying off.

This year, Malta was established as the European leader in e-Government further to a European Commission benchmarking report placing Malta first in e-government services in Europe. The 9<sup>th</sup> e-Government Benchmarking Report, which measured public sector performance in the deployment of e-Government in 32 countries (the 27 European Union member states together with Croatia, Iceland, Norway, Switzerland and Turkey), found Malta to be the best performing country by achieving 100% in five of the six core indicators measured.

E-commerce businesses are perfectly mobile and work equally as effectively from Valletta, Vienna, Vilnius or Valencia, provided that the technological infrastructures, economic resources and positive business environment (favourable tax rates and investment incentives) are available to such businesses.

Once these factors are duly addressed, other "soft" factors such as quality of life, weather, languages and the physical environment could have some bearing.

Malta's position as a full member state of the European Union having an attractive corporate tax systems and specialised incentives targeted at the digital gaming sector has placed it in good stead to attract a leading company in the digital gaming sector, namely TRC Family Entertainment Ltd in Malta which is headed by Chris Deering, formerly the CEO of Sony Computer Entertainment Europe, and continues to raise significant interest in the industry.

In May 2011, the Digital Games Initiative Group, which comprises Malta Enterprise, Malta Council for Science and Technology, University of Malta and the Creative Economy Working Group, engaged an external audit company to advise on the development of a national policy relating to the setting up of a Digital Games Industry in Malta. The report was

primarily intended to (i) attract foreign direct investment (FDI) and (ii) identify ways of stimulating, supporting and expanding Malta's digital game development industry.

Malta's attractions as a hub for the development of digital gaming software can be summarised as follows:

- An attractive full-imputation corporate tax system which can reduce the tax suffered by non-resident shareholders on distributed profits to a typical rate of 5%;
- Availability of tax credits in respect of development of educational or promotional digital games;
- 15% personal tax rate applicable to expats performing key commercial functions;
  - Assistance with the financing of employee salaries, leasing of equipment and provision of other facilities;
  - Assistance with the financing of up to half of the market development costs;
    - Protection of intellectual property;
    - A highly skilled workforce possessing cross-disciplinary skills;
    - A rapid and responsive legislative process.



Malta's efforts to accelerate the development of the digital media cluster and the initiatives being taken to create an environment that helps in the growth of this industry are further recognised via the introduction of the Digital Games Fund. By means of the Malta Digital Games Fund, registered companies in the media, entertainment, IT or audiovisual sectors can be granted between €15,000 and €50,000 to cover up to 75 per cent of the expense.

Each of these factors serves to render Malta's overall offering very attractive to international operators in the digital gaming sphere. During 2012 there have already been significant breakthroughs which bode well for the island's course into more high-knowledge and high value added territories and this trend is likely to increase in momentum with more operators choosing Malta as a base for some or all of their operations.

**For further information, kindly go to direct your request to [info@csb-advocates.com](mailto:info@csb-advocates.com).  
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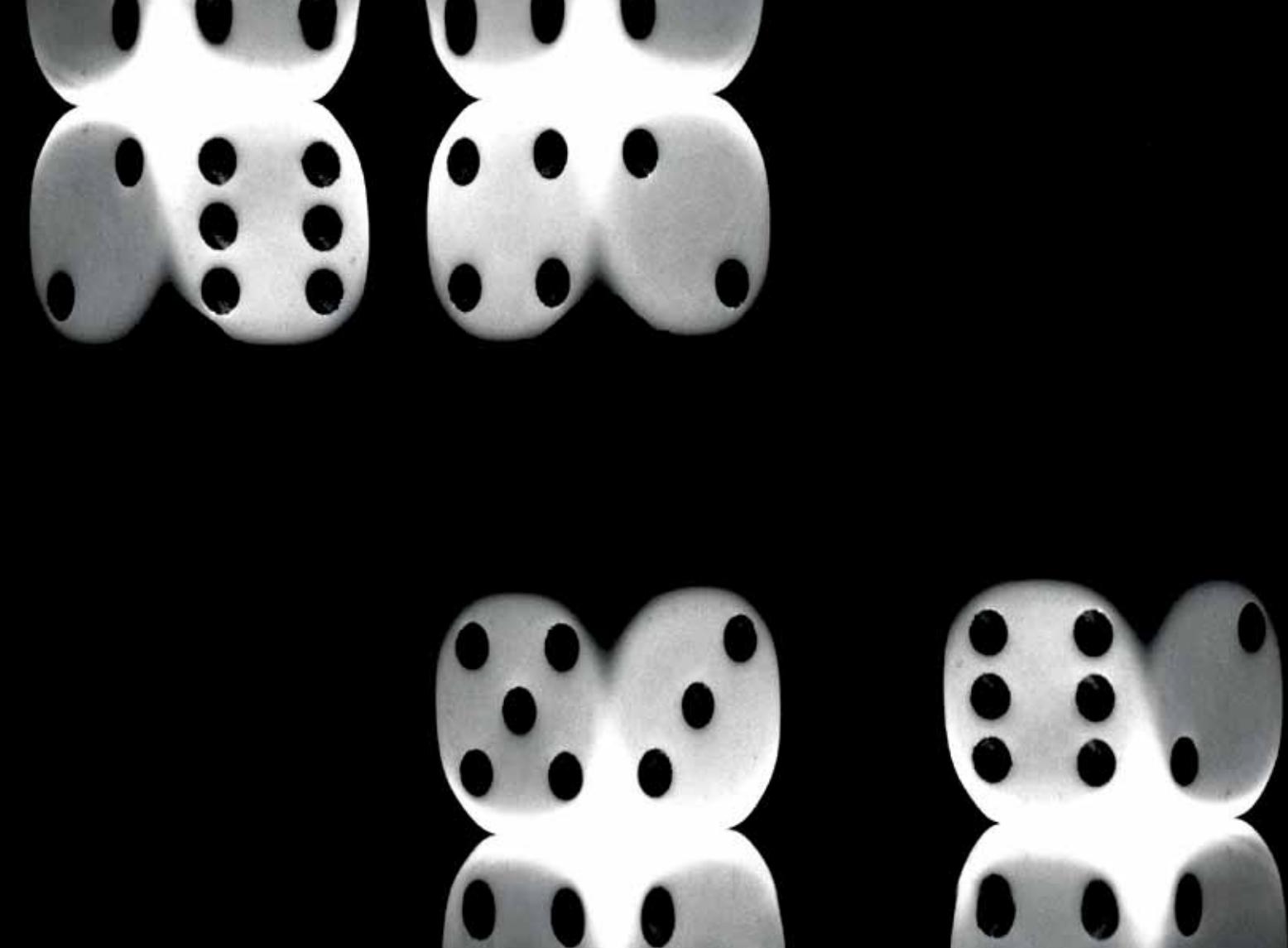
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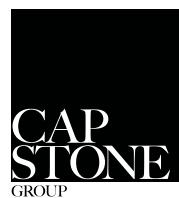
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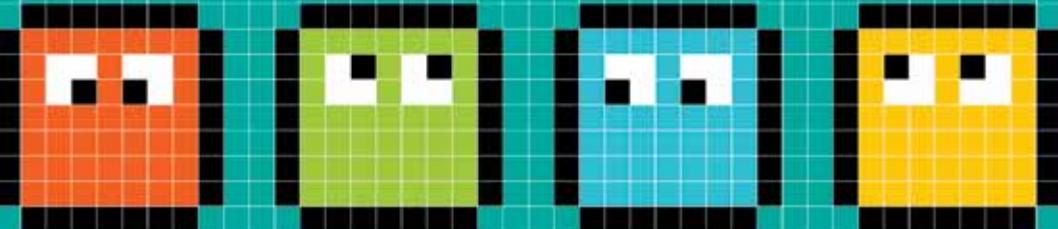


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Dr. Christian Farrugia

# REGULATING DIGITAL GAMES: **The next revolution**

Damian Xuereb and Corinne Gatt go through the motions of regulating Digital Gaming and the opportunities it will bring to game developers, game engines, game publishers and investors alike.



**Damian P. Xuereb**  
**Chief Strategy Officer**  
Lotteries & Gaming Authority

Online Games of Skill, better known as Digital Games are buzzwords that having been ringing loudly for the last years. Monetizing them in a profitable manner, whilst keeping gaming fair, free from crime and ensuring strong gamer protection is a different story all together.

Digital Games occupy one of the largest worldwide industries, accounting to over 90% of the total games population, over 90% of the total games of chance, which are - in comparison - simple to regulate. Complexity is the reason why no suitable legal framework is available and what is available will do nothing to tackle the incidents which threaten data security and the protection of minors; both areas which have been recently compromised, ruining the commercial reputation of the involved operators and investors in the process.



**Corinne M. Gatt**  
**Legal Officer**  
Lotteries & Gaming Authority

Nonetheless, further competition in the sector, together with a number of online gaming operators eying the potentially lucrative market, has brought commercial pressures in the methods of monetising gamers as well as a spate of new channels and alternative models available, be it social and mobile gaming, or gambling itself.

This is why the LGA spent 2012 exploring every in and out of the digital games industry. We met over one hundred companies focusing on the area. We discussed in minuscule detail what would make a competitive regulation. We considered game variations, various business models, compliance methods and ultimately, developed a framework that will put into effect the first 'Right Touch' regulations. The Right Touch approach will be a continuation on Malta's success in the regulation of remote games of chance, since irrespective of the element of skill, Digital Games may still be susceptible to the risks to which gambling games are exposed. Money is still being deposited and won. Minors may still be playing. Addiction is still a possibility. Formulated on the premise that all gamers must be aware of the rules of the game at all times, the new regulations leave a wide leeway to the operator, and merely provide a set of minimal controls on the possible hazards which any remote game is prone to. The result is the regulation of digital games of skill in which:

- Randomising elements of the game which add to the gamer experience must be restricted in the sense of not being the ultimate determining factor of the game's outcome;
- Games must be played for a 'prize', which is only valid if its value is money or money's worth; virtual money/credits/virtual items which are not convertible to real world money or money's worth are not considered to be a 'prize'.

The next few months should see the enactment of the new regulations that will be the first step towards a more standardised industry. These regulations will:

- Promote industry standards where relevant and implementable;

- Set a regular check and self-check mentality for approved operators;
- Set the baseline landscape for ethical behaviour;
- Protect against vulnerability and addiction of gamers, resulting from the risks posed by the online community and more specifically, games of skill played over the long term;
- Set parameters to allow other jurisdictions to understand the market, thus avoiding the easy pitfall of governments crossing the line into full-blown censorship;
- Introduce the necessary financial checks to ensure operators use gamer funds correctly and prudently;
- Ensure that gamers that win prizes are rewarded correctly; and
- Allow for free-to-play gaming without a material obligation to play for a prize.

A number of the rules governing these games were imported into the new regime. However, a great majority of principles were tailored to suit the very different industry of games of skill. For example, changes to the already approved management and gaming systems need only be notified to the Authority once they are affected. The Authority must then check the changes against the Regulations and any standards and thereafter, within a given number of days, inform the operator of any alterations which may be necessary. This is a requirement for a rapidly-changing industry which the LGA is well aware of. Certain provisions were also introduced to enable the Regulations to be compatible with ongoing developments, such as social media gaming and many other permutations the LGA foresees in the coming years.

A large number of game developers, game engines, game publishers, investors and supporting companies, have enthusiastically supported LGA's research throughout 2012. This is clearly a vote of confidence in the new regulations and the growth opportunities these will bring forth with them.

**As long as the results of the game is based upon the skill of the gamer and a prize is available to be won, such game may fall within this framework:**

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Role-playing games (RPGs) including Massive Multiplayer-type games</li> <li>• Action games including shooting, fighting and platform games</li> <li>• Adventure games including quest-type games</li> <li>• Sports games such as football manager-type games</li> <li>• Vehicle simulations including racing games</li> <li>• Serious and educational games</li> </ul> | <ul style="list-style-type: none"> <li>• Social Games</li> <li>• Strategy games including god simulators and life simulators</li> <li>• Collectable card games including card exchange games</li> <li>• Puzzle games, word games, board games, quizzes</li> <li>• Non-randomised card games</li> <li>• Music and dance games</li> </ul> |
|---|---|

# MONETISATION STRATEGIES

## An Overview



Geraldine Noel  
Managing Partner  
Acumum Legal & Advisory Group

Whether starting a gaming business, or looking to cross expand into the European market, monetisation strategies are essential to any business that aims to be successful, but particularly so for those companies within the highly competitive gaming sphere.

No matter what form of gaming you deliver, your corporate structure & the licensing regime & jurisdiction you choose to operate from are the primary building blocks and dictate how much time, revenue and effort you will expend in the overall fulfilment of your goals.



### **Malta – Bolstering Confidence**

We advise Malta as being the premier jurisdiction in which to establish your European operations. The 'one-stop shop' approach of Malta's Lotteries & Gaming Authority (LGA), reduces time license obtainment and therefore your time to market. Malta is a solid, established and reputable jurisdiction - indeed the first, since 2000 – in the regulation of gaming; in an ever – changing world of gaming legislation, this only serves to increase consumer confidence in your operations and therefore in their spending.

### **Taxation**

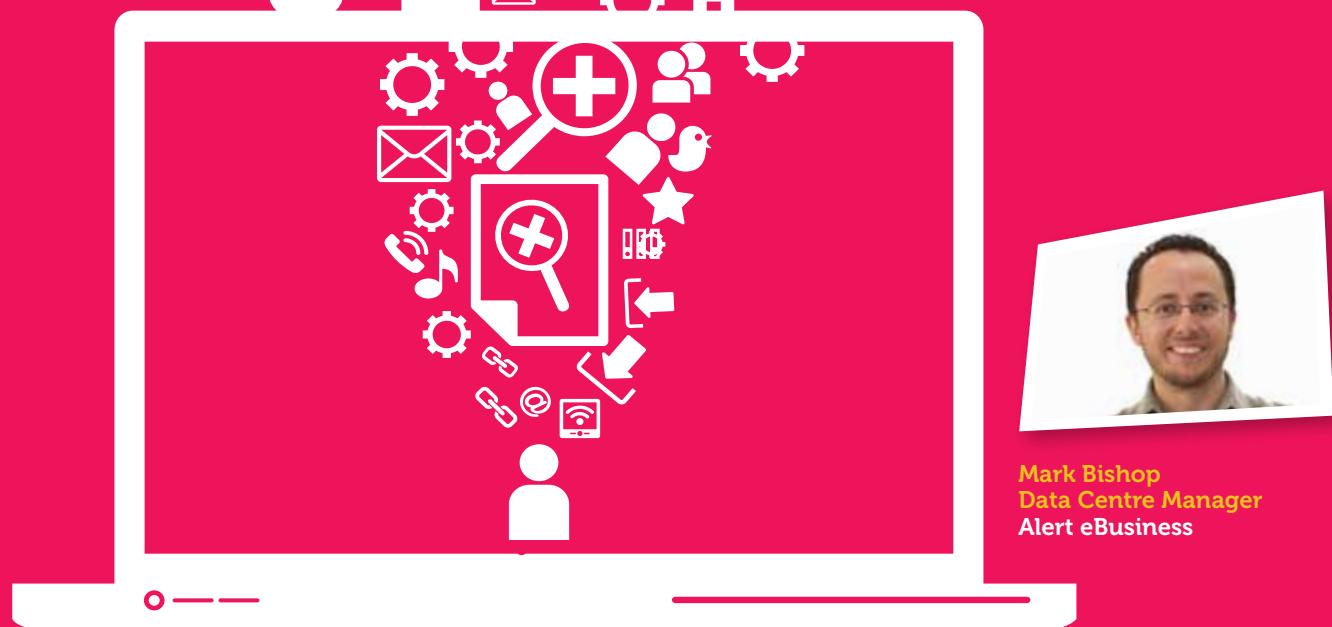
With an extremely attractive taxation framework, built around categories of different classes of games, Malta's gaming tax is one of the lowest and most flexible; so is Malta's corporate tax - unique within the EU – provides an effective corporate tax rate of only 5% on distribution of dividends to shareholders

Added to which, with a view to attracting even more gaming companies, Malta has enacted a flat income tax rate, namely 15%, for certain highly qualified persons employed within the gaming industry. So, not only can you be assured of retaining additional revenue within your operations, you are certain to retain and attract the best of employees, which can only serve to enhance your company's knowledge base and therefore your share of the gaming marketplace.

### **Intellectual Property – International Standards of Protection**

A full member of the EU and signatory to a number of international treaties, Malta's laws in the creation and protection of intellectual property places it in line with international standards. The ability to use global, streamlined and standardised intellectual property procedures reduces time spent by your legal advisors in the protection of your intellectual property and as a consequence reduces your legal & advisory spend.

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# HTML5 and the opportunities it presents to Social Media Gaming

HTML 5 is the latest revision of the Markup Language that is used to build the foundations of any web site. It introduces many new features over its predecessors and aims at being a self-contained set of technologies that enable you to build cross-platform applications. HTML 5 has built-in support for audio, video, and advanced programming amongst many other useful features. An application developed with HTML 5 can be used on any device that supports the standard, from desktop computers to smartphones, without binding the user or developer to any proprietary plugin or API.

For these reasons, HTML 5 is an excellent choice for developers of gaming applications, in particular those wanting to integrate their gaming application with the social media by taking advantage of the communication

capabilities that it provides. There are already a number of successful web applications that are harnessing the power of HTML 5 with Social Media and their popularity is increasing at a rapid pace. HTML 5 is also set to replace the proprietary Adobe® Flash® platform for media-rich content delivery and Adobe® has already announced that it is stopping the development of Flash® for mobile devices. Through its subset of integrated technologies, HTML 5 also offers great potential for mobile and live dealer casinos with functions that already outdo what Flash has to offer.

In a nutshell, HTML 5 is the application platform for the future with many exciting new features and possibilities, a definitive choice for any gaming application developer seeking to impress their customers and develop in a platform with the widest reach possible.



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# Uptake of the Highly Qualified Persons Scheme

WITHIN THE IGAMING INDUSTRY IN MALTA

It is a known fact that businesses set up and operated from Malta, including remote gaming businesses, can avail themselves of very advantageous fiscal benefits, most notably the ability to reduce the effective corporate tax on profits to 5%. Supplementing a robust and credible remote gaming regulatory regime in Malta, such fiscal incentives provide an additional motivation for the industry to setup and function from Malta.



Olga Finkel  
Partner  
WH Partners

Last year, the Government went on to introduce yet another important incentive – it extended the scope of applicability of so called Highly Qualified Persons (HQP) Scheme, previously applicable only to the financial services industry, to cover the remote gaming industry as well.

By means of this Scheme, certain expat employees of remote gaming businesses in Malta can for several years pay income tax at the highly reduced rate of 15%, as opposed to the normal highest tax rate of 35%. In brief, for a person to qualify under the HQP Scheme, the applicant must be employed by a remote gaming company licensed in Malta by the Lotteries and Gaming Authority ('LGA'), he or she must reside (but not be domiciled) in Malta, must have a gross annual income from the employment of not less than €75,000 (excluding fringe benefits) and must show to the authorities that the activities and functions carried out under such employment fall within one of the 'eligible offices' covered by the Scheme. For the purpose of the HQP Scheme, 'eligible office' means any of the following roles: CEO, Chief Risk Officer (incl. Fraud and Investigation officer), CFO, COO, CTO, Chief Commercial Officer, Odds Compiler Specialist, Head of R&D (including head of SEO and System Architecture), Head of Marketing (including Head of Distribution Channels), Head of Investor Relations.

The process of application is straightforward and requires submission of the application form and supporting documents. Once approved, the qualified person will receive a determination to that effect, and can exercise this tax benefit and pay income tax at the reduced rate of 15% for each qualified year of assessment by means of a declaration and request filed with the Inland Revenue Department by the tax return date. The approval and qualification under the HQP scheme will be valid for several years. Even individuals who have started their eligible employment prior to the entry into force of the HQP Scheme but within the eligibility period can benefit from the Scheme to a certain extent and can apply for a tax adjustment for the tax paid in the past during the eligible period, and this is regardless of whether the person at present is still in Malta or have relocated elsewhere.

The Highly Qualified Persons Scheme, as shown above, first and foremost benefits the eligible employees themselves, as their income tax rate is being drastically reduced under the Scheme. However, it is also clear that the remote gaming companies also derive a direct and very tangible benefit from this Scheme. It is not a secret that, for a number of reasons, whether due to the company's target market focus, country of company's funding source, availability of experienced and qualified human capital for certain roles or otherwise, remote gaming companies may need to source human resources from outside of Malta, including for key positions within such companies. In such cases, in addition to

normal considerations a person would take into account when deciding whether to take up a new employment or not, the prospective employee would need to consider whether he (and often his family as well) would relocate to Malta, with all consequences of such move. This additional consideration sometimes puts a Malta-based remote gaming company at a disadvantage and often requires the company to increase the salary and benefits package as an additional compensation for the move and associated drawbacks of relocation,

to be able to offer a net salary position desired by the prospective employee. The Highly Qualified Persons Scheme effectively reduced such disadvantage by allowing the company to offer a much higher net position to the prospective employee without the increase in cost for the company.

The introduction of the HQP Scheme to the remote gaming industry has been received with great enthusiasm and a significant number of executives from both newly established and veteran companies have applied to the LGA to be approved within the Scheme. The applications have been handled by the LGA quite efficiently, with dedicated personnel to deal with them, resulting in swift approvals issued by the Authority.

While the full impact of the HQP Scheme is still to be assessed, as the Scheme entered into effect quite recently, clearly, it affords a great benefit to both the remote gaming specialists and their employer companies in Malta, helping the latter to be more competitive in recruiting and retaining the best human capital in Malta.

SPECIALISED AND TAILOR-MADE HOSTING FOR GAMING

# SPECIALISED AND TAILOR-MADE Hosting for Gaming



**Christian Sammut**  
Chief Executive Officer  
BMIT Limited



**The regulatory landscape changes, business climate changes, business models change, information technology changes, data centres change. Some may question the latter point, but the perception that the data centre is just a room or an expensive facility where the gaming operator houses its servers is rapidly changing, getting more specialised, versatile and more client-needs focused.**



From our experience, a data centre's success and longevity emanates from its ability to keep pace and align itself with its clients' business and IT strategies and evolving regulatory environment. This often means approaching relationships with clients in new informed ways and making intelligent decisions to leverage the industry's business growth and diversification – becoming the partner of choice for the gaming operator.

When assessing the gaming industry/data centre relationship paradigm, it is evident that technological advancements may have shaped how data centre services are profiled, packaged and optimised. The description of a data centre has almost always been preceded with 'mission critical' because of the services that it provides. The data centre remains a fortress dedicated to achieving maximum reliability and security at any cost. While reliability is still the key factor for both the gaming business and the data centre service provider the latter has evolved and shifted within its own paradigm of values and those of its customers. The

increasing complexity in the operating environment necessitated that the strategy for the future addresses the challenges brought about by the changing business, IT and service delivery models and architecture of the gaming industry. The result is that truly gaming focused data centres offer a wider range of sophisticated, standard compliant, certified and tailored services, spread over strategically located multi-jurisdictional locations, and better prices.

The provision of a complete customised solution also ensures that the data centre offers the right mix of expert services to allow the gaming operator to optimise its operating model. In addition to core infrastructure management, gaming clients are increasingly looking at out-sourcing the management of their servers to the data centre services provider. Other requirements include the ability to mirror or back-up the servers or infrastructure to a third location for redundancy or disaster recovery purposes as well as the seamless management of such a set-up. One common requirement across

all managed services offerings is the relevant expertise to ensure that the specific gaming-related requirements are being addressed and optimised.

Cloud services are a reality for many industries, and gaming operators are increasingly looking at such flexible and cost-effective technologies to further optimise their offering. Given the choice of a public, private or hybrid cloud, the latter two are more suited to gaming operators in order to maintain more effective control over security and management. Due to regulatory and practical issues, cloud adoption is not necessarily a straight-forward solution for online gaming companies, but cloud providers with experience in online gaming do provide options as to how gaming operators can harness and maximise the use of such technologies.

In summary, by partnering with specialised and expert data centres, gaming operators can now expect more value for their investment, increase business flexibility and safeguard profitability and reputation in the complex gaming world.

# Relocation

When individual employees or companies relocate to a different country, nervousness comes along with leaving everything you know to the excitement of starting off on a new adventure, there are a lot of emotions when it comes to making a big move.



**Tina Cardona**  
Relocation Manager  
Chesterton Malta

When arriving in a new country it is an arduous process of having to find a new place that you can call home in a country where you don't know anyone or know much about.

This process is very stressful and time consuming; this may feel like a fairly trivial task. Many agents will try and sell/rent you anything that most of the time is what you don't want – which wastes

your time when in reality you do not have this time to waste.

It is very important that companies help their staff reduce the hassle of this relocation process. Nowadays there are companies with excellent reputations that specialize in this field. They are relocation experts that's aim is to make this process hassle free for the employee – they reduce the negativity that comes



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along with the process and increase the excitement. These experts offer a holistic approach which is an added value for the employees.

This service involves everything from picking up the new employee from the airport to settling them in to Malta. The process begins by introducing the candidate to the facilities and lifestyle options available in different areas of Malta to provide the candidate with a clear and concise understanding of what each area offers.

The targeted location and specific properties within those areas will be viewed. The aim will be for the candidate to select a suitable property and for contract negotiations to take place with the relocation experts assistance. Having identified a property, the experts will facilitate the entire settling in process.

Companies may choose to either combine programmes or have them tailored made to satisfy each employee's needs.

Malta has become more attractive for the online gaming and financial services industry due to the benefit of fiscal incentives from the Maltese authorities; for this reason we have seen an increase in companies relocating to Malta.

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Mamo TCV is a firm specialising in Gaming Law. Our size and organisational structure allows us to react swiftly to changing situations and to provide the highest standard of quality service.

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# CHOOSING THE RIGHT JURISDICTION

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**Dr Maria Chetcuti Cauchi**  
Partner  
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**Dr Silvana Zammit**  
Manager – Legal  
Chetcuti Cauchi

Where to base one's i-gaming operation? As the first jurisdiction in the EU that introduced regulated remote gaming, with an average of a hundred new applications a year and being the largest EU i-gaming jurisdiction, Malta's success in the i-gaming arena is undisputed. That said, whilst Malta's history, sun and sea might be a good reason for tourists to come to the island, they are surely complementary but not the sole reasons to attract prospective i-gaming operators. Indeed, to the i-gaming world, Malta represents more than that.

## The Strong and Reliable Hand of the Law

Malta's strategy to i-gaming has been bold and unique. Rather than focusing on a monopolistic or condescending response to this budding industry, the legislator decided to focus on regulation and transparency, providing a strict approach to licensing and monitoring of gaming operations. This has

**Maltese operators do not face the difficulties that offshore operators face with exchange controls, access to capital markets and access to e-wallets and payment gateways worldwide**

are subject to the normal corporate tax rate applicable to all companies registered in Malta, at 35% on their worldwide income. Malta operates the full imputation system of taxation whereby the tax paid by the company is available as a credit to the shareholders when distributions are made to them. Company tax of 35% is available as a credit to the shareholders upon receiving dividends from the company. When dividends are paid by trading companies to the shareholders, these shareholders become entitled to claim refunds of 6/7ths of the Malta tax paid by the company. Taking into account such refunds, these result in an effective rate of Malta tax of 5%.

In addition, Malta offers an attractive flat 15% income tax rate for individuals drawing employment income from Malta i-gaming licensed companies and having a minimum gross salary of Euro 75,000, as adjusted annually in line with the Retail Price Index.

### **Experience, Reputation and a Stable Environment**

The growth of the gaming industry in Malta has been facilitated by the tandem growth of ancillary services, such as ICT, telephony, co-location legal and back office services. All this, coupled to a sound regulatory regime, has positioned Malta as a one-stop destination to the gaming industry.

Malta's added advantage is the fact that it is an onshore jurisdiction. Maltese operators do not face the difficulties that offshore operators face with exchange controls, access to capital markets and access to e-wallets and payment gateways worldwide. Inversely, in the case of Malta i-gaming licensees, players find comfort in knowing that they are dealing with an onshore jurisdiction whose legislation is in line with the applicable EU legislation and international agreements.

These benefits are supported by the fact that Malta has a stable economy, it being one of the few EU Member State to have registered economic growth in the last months despite the global financial and economic crises.

It is obvious that there is always room for improvement. That said, Malta's track record to date is sufficiently outstanding to position it as one of the most amiable jurisdictions for setting up any i-gaming operation.

resulted in optimum protection for players on the one hand to providing a regulatory solution to operators on the other, thereby achieving a balance between two opposing needs: the supplier's and the customer's.

The Regulations are not game or technology specific hence easily encompassing different games and technologies without the requirement of amending the law. This allows operators to bask in their world of imagination and creativity and permits software developers to flourish in a positive environment. This has proven indispensable for Malta to attract this industry of ever-increasing digital gaming operators.

Merit goes also to the high standards that Malta seeks to maintain in this area ensuring that licensees uphold the general dicta of the Maltese gaming licence: proper operation of games; protection of players; prevention of money laundering and exigencies of public interest.

### **Money Matters**

Concurrent to the favourable conditions it offers, Malta continues to be a highly affordable and fiscally attractive jurisdiction. Gaming taxes vary according to the type of gaming activity undertaken, the rates being highly competitive and capped at Euro466,000 annually. Maltese companies



**Trevor Axiak**  
**Director**  
Contact Advisory Services Ltd

# OVERCOMING THE "TOP 5" PITFALLS

DURING THE APPLICATION PROCESS

The remote gaming industry is not easy to enter. Getting a license is the 'easy' part, attracting and retaining players is where the challenge starts. Newcomers, some with new ideas, attempt to swiftly move in to establish a place in the industry and take a share of the market. Most companies though, never even manage to get started. Limited funds are quickly absorbed by software, hardware and/or the licensing process and if no investors are found there are hardly any funds left for marketing the products. Our experience has shown us that these are the top 5 mistakes which often lead to the failure of new licensees.

### **Choosing the right partner.**

Know your limitations and appreciate the fact that a local consultant is in a much better position to guide you through the process. This does not mean that anyone that calls himself a consultant should be on your list of choices. A consultant should not just be the person or firm that saves you the numerous trips to the island and acts on your behalf. A consultant should advise on what is to be done, how, and to provide the levels of assistance in accordance with your needs. They should also be able to advise on what is achievable and what is not and to guide you and provide solutions to challenges in meeting the requirements of the regulations and those of the license process. If you have to change

your consultant, you are probably already in trouble.

### **Be Involved.**

Do not assume everything is in order simply because you have people working for you. A consultant should guide you through the process and handle the complex parts of the requirements. Your input, especially in issues involving strategy, should be ongoing and should not be left to anyone else.

### **Do not treat the license process as a hurdle.**

Some requirements tend to be complex and demanding. Still, fighting them will not make the process easier. Embracing the controls and understanding the intent of the requirements will not only make compliance easier and faster, but can potentially assist you in reducing risks which could be significant to your company. Ensure that all the documentation you prepare is factual. Do not document procedures which you have no intention of implementing. Remember, your next audit is round the corner.

### **Make sure you know what you are going in for.**

There are no 'get rich quick' schemes in this industry, despite what the layman's perception might be out there. Setting

up a gaming company should not be a side project. Make sure your strategy is well laid out and your financing is solid and can see you through the implementation of your chosen strategy. The license process should be the beginning of that strategy and not a means of testing the waters. Don't even attempt to apply for a license if you are not fully committed to the project.

### **Set realistic deadlines and targets.**

Important events like start of the football season or an approaching World Cup could tempt companies into cutting corners to submit the license application as quickly as possible in the hope of going live in time. It does not pay to submit an incomplete or inaccurate license application. Mistakes or omissions will lengthen the process during the final stages, sending your application back in the queue of applications waiting to be processed. Similarly, do not set unrealistic targets or expectations as these could trick you into taking wrong decisions on very important issues.

Our advice, understand what you are going in for, choose the right partners, secure the funding required, keep up to date by constantly communicating with your partners and where you don't know: ask!



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# malta's efforts to protect the igaming industry on the eu level

Being the first remote gaming regulatory regime within the European Union, Malta has been always kept an eager eye on the European legal and regulatory developments in this sphere. The Government of Malta, with the competent assistance of the Lotteries and Gaming Authority (LGA), has been very active in various international *fora*, especially in the last 3-4 years, with its main objective being to protect the online gaming industry from the potentially harmful measures being proposed and in some cases implemented by other member states throughout the European Union.

In particular, over the past years, Malta issued an elevated number of 'reasoned opinions' on various laws proposed by other member states, thus requiring such member states to revise their proposed legislation to bring it in line with the principles of the EU Treaty. It also intervened in a number of cases involving Malta's licensed online gaming operators, in front of the European Court of Justice in Luxembourg.

Malta's veto on the 'Council conclusions on establishing a strategy to combat the manipulation of sport results' is only the most recent concerted action taken by the Maltese Government to protect the local online gaming industry. Following Malta's decision to take a position against the draft Council Conclusions, which need unanimity in order to be adopted, the document on sports integrity had to be watered down into Presidency Conclusions by the Cypriot Presidency.

In November 2010, during the Establishment and Services Working Group meetings, the Belgian Presidency presented draft Council Conclusions delineating the 'Framework for gambling and betting in the member states of the European Union'. The Maltese Government and the LGA had managed to limit the damage which could have been caused by the Council Conclusions, had they been adopted as originally presented. After intense negotiations, Malta managed to get through the various amendments which it had been proposing before the Council Conclusions were duly adopted, toning down their affects. Seeing that there was no way through the Establishment and Services Working Group, certain member states decided to try alternate rules, such as sports integrity.

The Cypriot Presidency sought to pave the way for member states to be able to restrict technological access to illegal betting in accordance with national legislation. Malta's opposition was based on the conviction that this strategy could allow member states opposed to the provision of cross-border online betting services to block Malta licensed operators from accessing their local markets.

Malta would not agree to this document without the insertion of a number of constructively proposed amendments, including to what constituted 'illegal gaming'. Malta also argued that the regulation of Internet sports betting fell within the ambit of the EU's internal market and it was not up to sports ministers to take this type of initiative. Since the other member states disagreed, Malta voted against the conclusions, which, as a result, were unable to be adopted since they required a unanimous agreement.

It is foreseeable that in the near future, other attempts will be made by EU member states to try alternative routes aimed at favouring national authorization regimes and limiting cross-border gaming. And it is in such circumstances that Malta needs to make sure that all governmental institutions are adequately briefed and coordinated. On the other hand, it is also very important for the industry to assist the Government and the LGA as much as possible in order to make sure that the best actions and decisions are taken in the best interest of Malta and the industry at large.

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WH Partners is a business law firm with focus. Over 12 years of working in the remote and land based gambling industries we have built up invaluable expertise, knowledge and a global network of contacts that give us an edge in providing sound advice and practical solutions.



**Olga Finkel**

*Partner*

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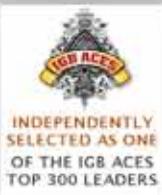


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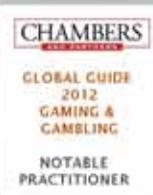
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**Dr Tonio Ellul**  
Partner  
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**Dr Jeremy Debono**  
Partner  
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Facebook had launched a new game on 7<sup>th</sup> August 2012, introducing real money gaming, whereby Facebook users can play and win whilst socialising. For the first time, Facebook has allowed the first gaming app created by Gamesys, on its platform that allows UK users over 18 years to play an online game called "Bingo Friendzy" with real money and not Facebook credits, reinventing gaming from a mobile to a social gaming event.

Facebook has taken a number of measures to ensure that the young generation is not tempted to gamble. Rigorous control can only be made thanks to Facebook's age-gating and geo-location technology applications. Pages and newsfeed activity of the games will not be visible to users under 18 years old and vulnerable people and will prevent them from seeing their friends posts relating to gambling activities.

Social networking giant Facebook has now announced a similar deal with 888 Holdings, a Gibraltar licensed but UK listed online gaming operator.

### one can play only after proper online registration and identity verification means

However, offering such real money gaming to a wider market will definitely bring greater obstacles, as such gaming is currently seen as illegal in USA where it is still a sensitive area.

Even though Facebook is a worldwide social network, such gaming apps are targeted to adult players, and through well controlled and designed methods, one can play only after proper online registration and identity verification means. In line with industry standard gambling legislation, all users will have access to a number of self-help tools to limit their spending and exclude themselves from playing at anytime.

Through the online games Facebook will not only serve as a socializing network but will also offer the opportunity for players to win cash prizes, whilst expanding the opportunities for interested operators and affiliates who desire to exploit any online social media space. This marks an exciting turning point for the gaming industry.

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# A CONGENIAL FISCAL ENVIRONMENT FOR YOUR GAMING OPERATIONS

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The Maltese regulatory framework is now tried and tested. Big names in the industry and start-ups alike flocked to Malta to establish their remote gaming gateway, the main driver being the possibility of endorsement by a European, white-listed and onshore regulator.

The ability to attract, and retain, players is key to the operator's success. Its corollary is the maximisation of profits generated by such success. The gaming and corporate taxes in Malta are designed to attract a volume of operators. While each operator pays very competitive gaming taxes which do not place too much pressure on the bottom line, the aggregate taxes paid by the gaming industry make it an important revenue generator for Malta.

### Gaming Tax

Malta is not the only well regulated European jurisdiction for remote gaming operations. However, it is safe to say that in Malta the benefit of such reputation comes at a low gaming tax burden for the operator. Gaming tax in Malta is very low when compared to that of other jurisdictions and is capped at €466,000 per annum. Casino games operators (Class 1) pay a fixed monthly rate of gaming tax (€4,660 for the first six months and €7,000 thereafter) and if they are operating on a third party gaming platform (Class 1 on Class 4) their monthly gaming tax goes down to €1,165 per month. Class 2 operators (sports book) pay a 0.5% tax on the stake and betting exchanges and poker houses (Class 3) pay a 5% gaming tax on their real income, being the part of the pot which the operator gets to keep. A Class 4 licensee pays €2,330 per month for the first six months and €4,660 monthly thereafter.

### Corporate Tax

Gaming taxes, constitutes a deduction against chargeable income. The net chargeable income (after deductions for operational expenses and capital allowances) is subject to tax at the flat corporate tax rate of 35%. As a result of the full imputation system there is no further taxation of the profits at shareholders level and no withholding tax on outbound dividends.

Furthermore, given the appropriate structuring, shareholders can generally benefit from a refund equivalent to 6/7<sup>th</sup> of the tax paid by the operating company in Malta. This refund is payable upon application within four weeks from the distribution of a dividend. The combined effect of the full imputation system and the refund system is that the effective rate of tax on corporate profits can be as low as 5%.

### Reduction of VAT leakage through shared services agreements

Throughout the European Union, gaming is considered an exempt without credit supply. This basically means that any VAT paid on purchases by a Maltese gaming company (like any other E.U. based company) is a locked cost which it has to subsume. However, the industry has developed a compliant way of minimising the tax leakage. While gaming operators focus on the core, licensable, gaming activities they may choose to partner with other entities for other aspects of their operations such as marketing and administration. The joint venture agreement provides for the sharing of functions and revenue generated therefrom. If the entities carrying out

the supporting, non-core activities are established out of the European Union, and the place of supply of their purchases is likewise deemed to be non-EU, then the VAT cost on their purchases would be eliminated.

### Key Employees - Highly Qualified Persons Rules

Malta did not stop at offering the right regulatory and fiscal package to attract operators but went the extra mile to offer an attractive incentive to the key personnel which is required to run such operations. In terms of the Highly Qualified Persons Rules, the top employees of licensed gaming companies (earning at least €75,000 annually and holding requisite professional qualifications) benefit from a preferential, flat, personal tax rate of 15%.

**Malta's promise, now well proven, to provide a robust regulatory framework which balances players' protection against operators' business interests, is further enhanced by a congenial fiscal environment which is another key element to ensure a good return on investment**





**Kris Baron**  
Director  
Capstone Group



# THE TAX ADVANTAGES OF Setting up shop in Malta

The Maltese government's economic strategy has placed Malta firmly in the e-leisure markets offering various opportunities for gaming operators which set up in Malta. Malta implemented an advantageous taxation regime for online gaming operators, with different tax parameters applied in accordance with the class of licence held. For instance a casino licensee operating its own platform pays a fixed gaming tax of € 4,660 monthly for the first six months of operation and €7,000 for the remaining duration of the licence, while a casino licensee operating on a platform provided by a host benefits from a reduction in tax which is paid at a fixed rate of €1,200 a month for the entire duration of the licence rather than on performance. The host licensee is not taxed for the first six months and benefits from a reduced tax rate of €2,330 monthly for the following six month period. The tax amount to be paid thereafter is fixed at €4,660 monthly. Sports books, on the other hand, are taxed at the rate of 0.5% on the gross amount of bets accepted while casino rooms are taxed at 5% of the real income generated. In addition, gaming tax is capped at €466,000 annually.

Maltese law also contains a number of interesting tax incentives which make Malta a tax efficient jurisdiction and therefore a sensible and attractive base for conducting international trade including licensed, remote gaming activity. Primarily, Malta is a respected, onshore and OECD compliant jurisdiction. Our domestic tax system is based on the full imputation method which implies that tax paid at corporate level is available as a credit in the hands of a resident shareholder thereby eliminating instances of double taxation on same source income. Another feature, ratified by the European Union, is a system of tax refunds which is available

to both resident as well as non-resident shareholders of a Maltese company. Effectively, upon distribution of dividends of a Maltese company from sources having suffered tax at the standard corporate rate of 35%, a refund is available to the shareholder. The extent of the refund depends on the nature and source of profits and on the account out of which the profits are paid however typically the effective corporate tax liability of a Maltese company having non-resident shareholders may be as low as 5%.

Malta also has in place over 60 Double Tax Treaties with a wide range of jurisdictions which facilitates cross border transactions as well as further reduces instances of double taxation. In addition, various tax incentives are also offered to employees of gaming companies operating from Malta. Besides the low income tax rates applicable across the board to all individuals working in Malta, highly professional employees holding executive positions within gaming companies registered and operating from Malta may also benefit from a reduced income tax rate of 15% on their annual income. This scheme is in place to encourage the transfer of skills and know-how as Malta continues to develop as a knowledge based economy.

When coupled with the highly-educated, multi-lingual workforce, a highly developed technological and telecommunication infrastructure, excellent geographic location and a well-regulated gaming sector, the tax incentives available make Malta one of the leading jurisdictions within the industry and this claim is backed up by the high number of leading, international brands and operators within this industry who have established a significant presence on the island.



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# Regulating Social Gaming THE GREAT HYPE?



# Social Gaming

Evidently there is more to be said about the name of the latest gaming revelation rather than the facts which accompany it. The very words of the phrase carry different and possibly conflicting connotations, reflected in the opinions put forward and highlighting the necessity for control.

Prestige replaced by indispensability; 'social networking' is the most powerful avenue for the communication and promotion of ideas ever imagined, its exponential growth leaving all to catch up. This retarded appreciation has left a vacuum where there should have been facilitation for an inevitable marriage.

The capitalization of such a fast growing, unlimitedly accessibility and highly exposed market is elementary.

Having been caught on the back foot, regulators and stakeholders alike are in the midst of one of their biggest challenges to date. Both are eager to claim their stakes, at the expense of the other, and such paralleling and hurried agendas are bound to create friction.

Regulation has created a society accustomed and entitled to standards and assurances, and although the residual bureaucratic nightmares, do tend to offer a strong point for those who contest against their introduction, it is undeniable that unless a middle ground is sought and found the efficient adoption of this medium will go wanting.

Once a new concept has firmly established its roots there will be need for structure for it to ever reach its full potential.

The gaming landscape would certainly be far removed from what modern gamers have become accustomed, and possibly not dissimilar, albeit a high tech rendition, of the gambling prohibitions eras. The clandestine nature of the sectors' roots, if left unchecked, will likely displace transparency.

Flexibility, however, must be intrinsic to counter the stunting of the accelerated creativity and innovation which shines through the gaming sphere. Absolute Authority would result in absolute failure.

A global phenomena, it is, but any argument omitting to acknowledge, the fact that control already rest with a powerful handful of providers, who have, on various occasions, not been shy to adopt hard-line attitudes with respect to various others of their associations, is blinkered and biased. There are avenues for efficient and effective control.

The sooner there is agreement and acknowledgment that there is need for a well regulated market, coupled with Authorities who are willing to entertain the lobbyists, the sooner everybody can get properly down to the business of the inevitable.

Attitudes have changed; however a system of governance will always remain. Nothing is ever left to run rampant, especially where there is a valid opportunity to create additional revenue streams.

It's a 'gambling fueled cycle,' which ultimately wherein a larger portion of those directly involved stand to benefit from operating within a defined legal remit and who would in most instances prefer to feel secure.

**Dr Christian Tonna LL.D**  
**Lawyer and Associate**  
 Mamo TCV Advocates



**Edward Agius**  
Letting Manager  
REMAX



Looking back on 2012, one can easily conclude that during the past year the letting market yet again benefited largely from the ever growing iGaming industry in Malta. The market has seen an increase in rentals not only directly from operators, but also indirectly from companies that service the iGaming sector. The demand for both Commercial and Residential property has grown in 2012 and has fuelled the economy to the extent where investors continue to plough money into the purchasing of real estate in Malta to keep abreast with the demand. In 2012 the positive increase was mainly derived from a number of locally established businesses, new start-ups and companies that relocated their whole business to Malta. Several companies continued to increase their manpower including some that outgrew their own office space resulting in them having to relocate to even larger premises in Malta.

Some local real estate agencies have, within the past year, nearly doubled their letting team in order to cope with the influx of requests – an estimated 40% of the letting business which is directly or indirectly generated from the iGaming sector. It is for this reason that the largest real estate companies in Malta allocate a large percentage of their overall budget to specifically targeting the iGaming sector through attending and organising conferences and seminars locally and overseas.

These same companies have been servicing the industry since its inception. Being a major stakeholder in the real estate industry, the iGaming sector has influenced the standard of service provided to a customer. Today's professionally established letting agents are in a position to guide you through the whole letting process where they have learnt to quickly understand the needs of a

# The iGaming Letting Market in Malta



gaming client find the right property for you and assist in finalising the letting agreement. Some companies also offer added services and can provide you a one stop shop. Services that may be of interest are temporary services apartments, hotel accommodation, insurance cover, office facility management, and property management and chauffeur services.

The predictions for 2013 are for yet another busy year. The trends of 2012 picked up from where they left off in December and requests from new start-ups, new companies have already started to pile in and the locally established firms are still showing signs of steady growth of their business.

There are several factors that have contributed to the increase in the Maltese iGaming market. These include the favourable Malta's tax schemes geared toward the iGaming industry, a stringent and credible jurisdiction,

and professional services not to mention the environment, Mediterranean climate, local cuisine, entertainment and Island life. The Maltese Government's continuous investment in the infrastructure is countries commitment to excellence where our stable economy ensures that companies are considering Malta as an ideal country to establish their business. The standard of property is very high where as the cost to rent residential or commercial premises remain reasonably priced.

Should you be looking to setup, relocate, or expand your organisation in Malta, your safest option is to work with an established, reputable and experienced real estate agent – both for letting and, more specifically when you are working within the Gaming Industry. A professional real estate company understands that there is no room for errors and that your time is worth money and you are after a transition that is as smooth as possible.



**Maria Micallef**  
Partner  
RSM Malta

# Malta

## A Favourable Jurisdiction for B2B

The introduction of Legal Notice 90 to the Remote Gaming Regulations in 2011 gave Class 4 licensed operators in Malta the possibility to accept on their Maltese platform operators that are licensed in other EEA Member States. As a result players of operators duly licensed in European Economic Area countries may now play in the same room/game as players on operators licensed in Malta. This important development increased the attractiveness of locally licensed software platforms to European licensed operators as it enhanced the liquidity on these platforms which is so necessary in player to player games such as poker and bingo.

The EEA licensed operator is not required to pay any license fees or gaming tax in Malta. It is the Class 4

operator that has to pay a fixed monthly fee of € 1,165 for each EEA operator running on the Maltese platform.

Another recent development in local fiscal legislation is intended to facilitate the setting up of a more robust presence in Malta for the class 4 licensees and indeed all other licensed gaming operators. In its bid to continue promoting Malta as a premiere gaming jurisdiction, the tax authorities have issued rules that introduce a 15% flat rate of tax on employment income derived in Malta by highly qualified persons that are not domiciled in Malta and employed by locally licensed gaming companies. The primary objective behind this development is to attract highly skilled persons to relocate to Malta and for their company to establish a more robust and tangible presence on the island.

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**Ian Buhagiar**  
Enterprise Services Sales Engineer  
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The Maltese financial and legislative frameworks are encouraging many i-gaming companies to transfer their operations to Malta. However, prior to re-locating or setting up their online business in Malta, prospective operators should also carefully assess the technical capabilities of different local service providers to ensure successful operations.

The selection of a technical services provider cannot be considered as a simple choice between different suppliers, made on the basis of the attractiveness of their commercial proposals. In an increasingly competitive environment, an operator needs to select a supplier which understands the rigorous demands of this fast-paced industry and can provide technical solutions that meet these demands, ensuring a smooth operation.

For instance, connectivity from the Maltese Islands to continental Europe is provided over four diverse submarine cables which are operated by various suppliers. Prospective gambling operators are advised to ensure that the IP transit they procure is provided over multiple subsea cable links, thus minimising the risk of experiencing a loss in connectivity.

Live gambling events such as sportsbooks or live casinos are thought to be the most service availability and latency sensitive applications. A connection with optimal service parameters can be provided through a supplier which is peered with more than one international

upstream carrier. Furthermore, the global reach of the carrier's network is of the essence in providing the best possible playing experience to the widest range of users.

Remote gaming websites are at a higher risk of being subjected to a degradation of service resulting from a Distributed Denial of Service (DDoS) attack. Such occurrence can be mitigated against through a premium service which attempts to maintain an operating environment even when a particular active service is under attack.

E-Gaming operators consider the international connectivity link as the lifeline of their business. Partnering with a provider which offers an unmatched connectivity service will undoubtedly enhance the players' user experience. In order to ensure business sustainability and growth, gaming operators need to be given the peace of mind that their operator of choice is looking after their connectivity's service level. This will enable operators to focus more on growing their business.

RULES OF ENGAGEMENT

# RULES OF *engagement*



Ian Pellicano  
Director  
Apco Ltd.

## As the gambling sector progresses and continues to grow, governments in every part of the world are legislating to restrict, control and regulate this market.

Of course, such pressure on the market is causing the various players to review and redefine their operating rules. A very important component is payment acceptance with the various options available, and this is the layer that is most heavily scrutinised and tightly controlled by governments worldwide.

As restrictions become tighter, it becomes harder to operate. Markets are blocked in various ways, typically by issuing banks as a result of government imposed laws, or as a general strategy by banks to protect their brand. The more constraints are placed on the market however, the more mistakes are done as the complexities of operating in the environment increase.

Online gambling operators are considered to be at a high risk of financial loss by banking and credit institutions. Whilst cards still remain the most popular payment means on the Internet, we have seen a significant increase in payment options being developed to work around restrictions imposed in the market place. These payment options such as eWallets and vouchers utilise legal means to facilitate payment, but of course at a higher cost than processing cards directly and with differing parameters.

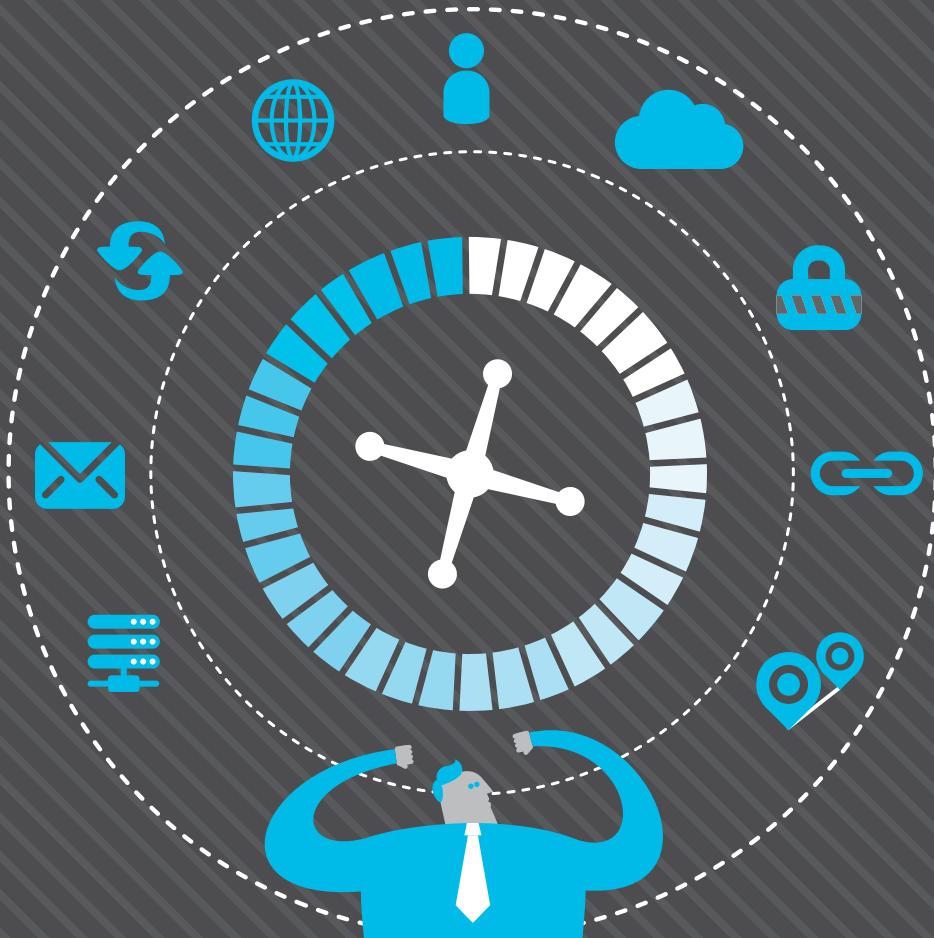
Mobile payments are now the 'buzz' factor in the industry, but there is still a way to go until this gains ground as the dependencies on mobile operators are still too big, limiting values spent on available credit, technology provided and their appetite for this market.

The 'high risk' nature of this market is due mostly to the opportunity for fraudulent activity. Acquiring banks and operators alike have today developed skills to reduce fraud considerably and optimise the payment process to avoid clients abandoning payment.

However, whilst the market share for these payment options is on the increase, recently some markets are being blocked by the larger options due to fraudulent activity. Fraud has infiltrated many of the popular options available, even vouchers are being used for scams amounting to large amounts being stolen from innocent people. Various police forces are now coming together to hunt down the organisers of these schemes.

Due to the complexities of the market, experience has shown us that the only successful approach is not to gamble with your choice of partner. Merchants have tended to underestimate the importance of the relationship with their payments services provider. A payments processing provider should be able to support you with risk orientation profiling and as well as provide advice and guidance on issues and restrictions in the various geographical markets, in order to enable the company to grow. It is important that gaming operators work with a payments processing partner that is not only able to provide a robust system and a wide selection of payment options, but also a partner that understands online gaming from the legal, compliance and the commercial aspect of this sensitive sector.

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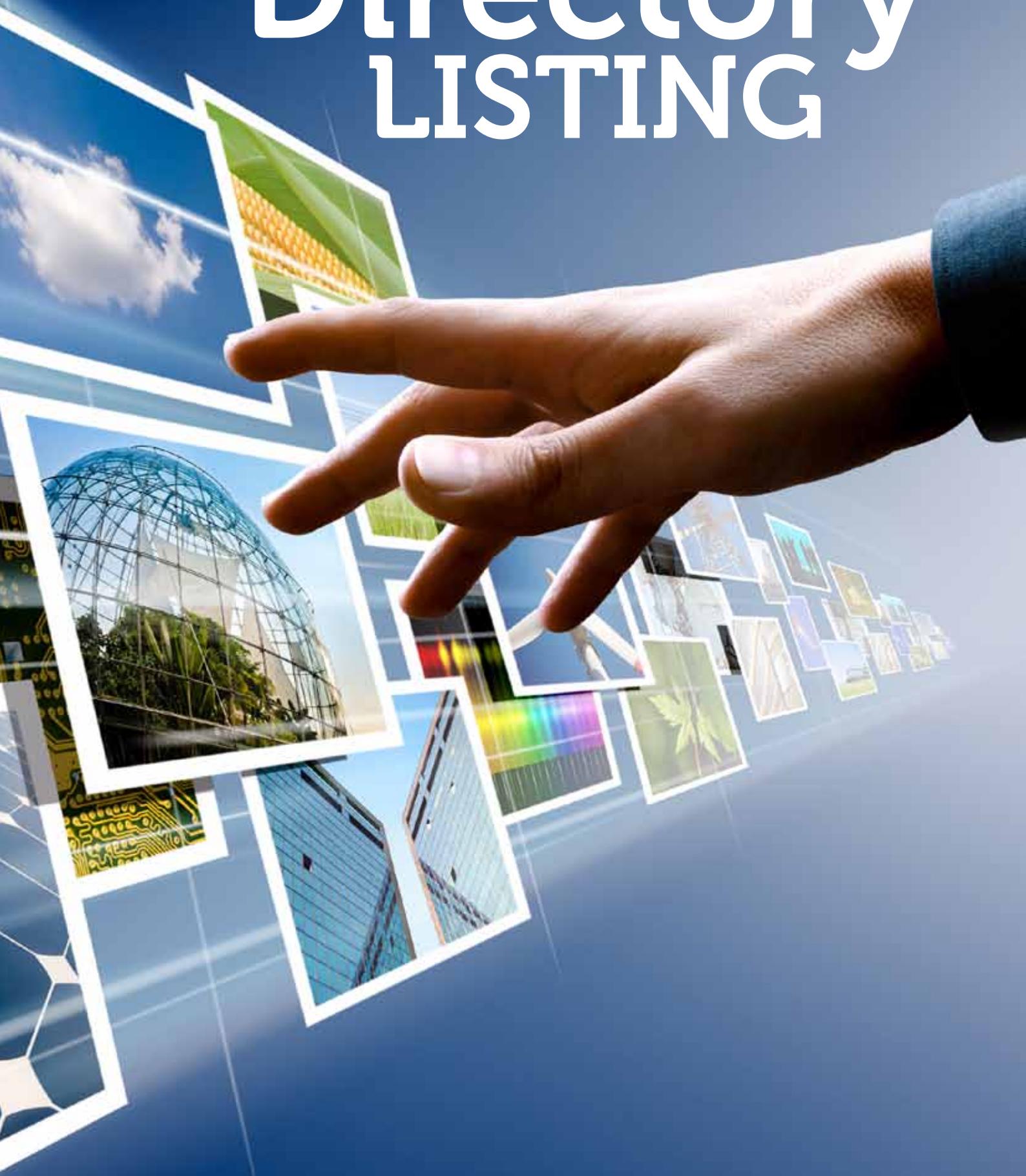
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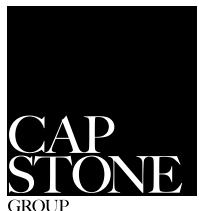
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At **RSM Malta** we stand out because of our enthusiasm to help clients develop their business. Our firm employs experienced professionals with the competences, will and desire to deliver a quality service. The RSM difference lies in the close, enduring relationships between RSM International member firms and is grounded on quality and commitment of our people. Our people strive to make a difference and go beyond the obvious. RSM Malta employs accountants, lawyers, tax experts and management & IT consultants.

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## DATA CENTRES/HOSTING PROVIDERS/ ICT SUPPORT SERVICES



WH Partners, formerly WH Law, is a multi-disciplinary practice offering legal, regulatory and technical assistance to clients engaged in remote gaming, e-payments, telecoms, digital content, software development and other ICT-rich businesses. The services offered by WH Partners include remote gaming licensing and compliance, e-commerce compliance, key official services, company incorporation and maintenance, advice on company sales and acquisitions, corporate restructuring, contract drafting and negotiation, intellectual property protection, advice on EU cross-border trade matters, competition (anti-trust) law operational and transactional compliance, strategic consultancy and regulatory risk assessment.

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ALERT  
eBUSINESS.

**Alert eBusiness** offers Data Centre facilities which are designed to meet the business needs of its clients. Alert understands that outsourcing mission-critical IT systems involves trust and this governs the principles on which it operates. The Alert eBusiness Data Centre includes fully redundant environmental control, UPS facilities and backup power supplies, fire suppression systems, data backup and disaster recovery solutions - all within a highly secure infrastructure connected to the three bandwidth providers available on the island. Alert's in-house engineers are available 24x7, ensuring that clients have full peace of mind.

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With over 20 years' experience, **Apco** is one of the leading suppliers of automation products and payment solutions. Apco offer a safe and trusted platform that consolidates all payment systems into one simple transaction processing solution allowing merchants to trade internationally 24/7, with support for Mail Order / Telephone Order (MOTO), together with other global payment options. All solutions are equipped with customisable, security and fraud prevention tools and advanced payment management functionalities.

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# Directory listing

## DATA CENTRES/HOSTING PROVIDERS/ ICT SUPPORT SERVICES



**BMIT** Limited is Malta's leading data centre, operating 2 data centres and offering a wide range of services, including co-location, cloud services, virtual hosting and managed services. Considered one of the leading independent data centres in Europe for online gaming, BMIT provides complete and personalised service to gaming operators, through a highly specialised commercial and technical team, with many-years' experience in supporting gaming customers.

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DAIS was founded by IT and Financial professionals to help and provide solutions to corporate bodies. The main strategy is developing products which will minimize the gap between real-world requirements and client's IT structure. Ever changing regulations are exerting huge pressure on IT systems and stretching the budgets of most companies. DAIS tasked itself to present affordable and flexible solutions to its clients.

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[www.dais.com.mt](http://www.dais.com.mt)



Vodafone Malta is proud to be the local provider of choice for high-speed bandwidth, co-location services and international private leased lines.

With its very own submarine cable and a high capacity link on another 3rd party subsea cable, Vodafone provides a resilient connection to mainland Europe where multiple international carriers route all traffic to anywhere around the world.

Vodafone Malta also operates a state of the art carrier grade PCI-DSS certified co-location facility serving the ever growing iGaming businesses which are licensed in Malta.

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## REAL ESTATE



For an iGaming operator, being able to give your customers seamless payment access to your site is essential to success. At WorldPay, we understand this better than anyone. From being the first payment provider to enter the igaming sector, we've grown to become the largest acquirer of gaming transactions in the World. We can support all your Global and Local payment needs from card acquiring, alternative payment methods, currencies, language, payouts and fraud screening.

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**Chesterton** is one of the UK's most prestigious property companies and is now open in Malta. Chesterton has been at the forefront of the property industry for over 200 years. It's an international multi-disciplinary property business that offers a range of property related services, including residential sales and lettings, international sales, rural and commercial agency, professional valuation, real estate investment, development consultancy, property management and relocation services. The office is based on The Strand in Gzira.

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**Regus** is the world's largest provider of workplace solutions, with products and services ranging from fully equipped offices to professional meeting rooms, business lounges and the world's largest network of video communication studios. Regus enables people to work their way, whether it's from home, on the road or from an office. Customers such as Google, GlaxoSmithKline, and Nokia join hundreds of thousands of growing small and medium businesses that benefit from outsourcing their office and workplace needs to Regus, allowing them to focus on their core activities.

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## REAL ESTATE



**RE/MAX Lettings** has been an established leader in the letting and relocation Industry for eleven years since its inception when Kevin and Jeffrey Buttigieg set up JK Properties in 1999. Today, the company operates a letting team of 25 associates specialising in residential letting, commercial office space and other commercial property. The team is led by Edward Agius, one of its first associates. Having joined the company in 2000, his wealth of experience in the industry ensures consistency of service and customer satisfaction across the board. RE/MAX is the largest real estate company in Malta and has thirteen offices located around the Maltese Islands with over 130 sales and letting associates.

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[www.remax-malta.com](http://www.remax-malta.com)

## RECRUITMENT AND OTHER AUXILLIARY SERVICES



**Pentasia** is the premier confidential recruitment and career consultancy in the remote gaming sector. Founded in 2001, we have developed an unrivalled reputation for delivery and a network of regional offices that spans across all time zones. Pentasia Malta, since 2006, is now the largest specialist recruitment consultancy on the island. It also provides specialised iGaming courses, such as the Introduction to iGaming Course, Combating Fraud – A Beginner’s Course, Anti-Money Laundering Course and many more.

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**VacancyCentre.com** is an Online Recruitment Portal and Job Board VacancyCentre.com (operated by CSB Group) which guarantees efficient and personalised Recruitment & HR Solutions with maximum confidentiality. Supported by new technologies, our function as recruitment partners is to bring together employers and career seekers whilst maximising their time, efforts and resources. While assisting employees in pursuing their career to fulfil their ambitions, we continuously strive to provide employers with suitable top candidates according to their requirements when it comes to recruitment in Malta. Having been the first recruitment agency to move its operations online, web-based platform VacancyCentre.com was the innovator in Malta taking the recruitment process online in 1999.

VacancyCentre.com  
The Penthouse  
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Be Smart  
Play Responsibly

# KNOW YOUR LIMITS.



## Tips for responsible gaming

- Play for the fun of it, not for the money.
- Set yourself a limit and don't exceed it.
- Don't chase losses. Walk away!
- Don't let gambling take over your life.

For more information,  
please visit  
[www.lga.org.mt](http://www.lga.org.mt)

[www.cybergamingconsultants.com](http://www.cybergamingconsultants.com)



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