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Remote Gaming Update 2011

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Editor's note

By Kristy Debono - Head of PR, Marketing & Information Analysis
Lotteries & Gaming Authority



Welcome to the 2011 Malta Remote Gaming Update.

2010 has been another exhilarating year for the gaming industry and we are delighted to present this year's Remote Gaming Update which is jam-packed with articles and information of the latest developments and insight of how the sector is gearing up for the future. Our main article is 'Resilient Malta' prepared by the Authority's CEO. Other articles written by the LGA staff relate to, amongst others, the Maltese Remote Gaming Regulations, the new role embarked within the LGA which centres on the relationship with the Licensees and the LGA's Perspective on the Online Player.

Following the success of previous editions, this year we gave the opportunity to service providers to prepare articles conveying their perspective on the industry vis-à-vis other articles from the regulatory perspective not only of the LGA but also of Malta Enterprise and the NSO. This year's update also includes articles about the international scenario, tips on relocating to Malta, real estate, ICT services and recruitment – just to mention a few.

Finally, I would like to take the opportunity to thank all the advertisers for their constant support and contribution to the success of this annual update and also to Ms Alexis Falzon for her assistance in the production of this publication. I sincerely hope that you find this year's edition informative and appealing whilst I look forward to yet another exciting year for this dynamic industry.

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- 04 Chairman's Message
- 05 Resilient Malta
- 08 The Basis of Maltese Regulation of Remote Gaming
- 012 The Face of the Authority
- 014 The Online Player - The LGA's Perspective
- 018 Multi-Jurisdictional Mayhem
- 020 Think, Plan, Implement & the Rest will Follow
- 022 The Veteran Jurisdiction
- 024 Towards the Removal of State Monopolistic Barriers?
- 026 Frequently Asked Questions
- 028 Don't gamble on your Key Official
- 030 Regulation is Key
- 034 Linking & Routing to Europe's Information Superhighway
- 036 Work Flexibly in Malta to Maximise Productivity & Minimise Cost
- 038 Quality Attracting Quantity
- 040 A Tax Efficient Environment
- 042 Recruitment for your Gaming Business in Malta
- 043 Cultural Alignment with the Remote Gaming Community
- 044 IT Outsourcing: A Growing Trend
- 045 Relocating Your Business to Malta
- 046 Standards of Property to Let in Malta
- 047 Reshaping the Online Gaming Industry
- 049 Drawing the Right Numbers
- 050 A Stable Investment Destination
- 051 iGaming: Malta's Winning Bet
- 052 Service Directory

Contents

Chairman's Message

By Nick Xuereb - Chairman
Lotteries & Gaming Authority



Welcome to the seventh edition of our annual Remote Gaming Update. This year's publication highlights the major accomplishments and services provided by the local remote gaming industry.

2010 was a challenging year. On one side the prolonging economic situation left an aftertaste of bitterness in terms of investment. It has ebbed into profits and somewhat eroded the feel good factor the entertainment industry has in its power to provide. On the other side, the European regulation outlook and the cases upheld at the European Court of Justice have kept everyone on their toes.

Should the EU harmonise or not, and when, is yet to be seen though surely remote gaming legislation has dominated the LGA's agenda for the past year and continues to effect the way we shape policy and approach to strategy. In this regard 2011 will bring some assertive

changes. We will be working to drive the equation of economic resiliency, whilst keeping in mind the principles of stability and efficiency. Our player centric approach will continue to retain the centre stage it merits.

The ultimate target is a simple one: keep remote gaming sector growing whilst consolidating into a more mature, serious and reputable jurisdiction our licensees boast of today. This is a key difference between us being a highly regulated jurisdiction and other licensing destinations, and this is why companies of good standing come to Malta. And this is why our 2011-2012 strategy is directed to ensure Malta is not only the best operating regulated destination but a location where the country as a whole offers the correct investment parameters coupled with an excellent quality of life making working in Malta professional, rewarding yet fun. I look forward to making it happen, together ■

Resilient Malta

By Reuben Portanier - CEO
Lotteries & Gaming Authority



Without any doubt, 2010 was a challenging year for both the industry and the Authority in different ways. Globally, the financial crisis was still prevailing in many industries, whilst debates on the gaming regulatory models to be adopted across Europe gained a certain momentum.

Regulating the gaming industry during such a period, whilst in parallel moving forward in strengthening even further the structures and processes of the Authority was both challenging and interesting. The international economic scenario, saw the world economy still finding the routes available to move out of the financial crisis and rebuild economic confidence. Various economic analysts were of the opinion that the gaming sector was immune to such a crisis as the industry (especially on the remote gaming side) was still registering growth. In truth the gaming industry was still impacted by the economic conditions, as the global industry growth curve was not as steep as in the previous years, whilst as was in all other sectors, access to finance for further investment was not easily available.

Once more the resiliency of the Maltese economy proved itself with respect to the global financial crisis, and the increased monitoring mechanisms implemented by the LGA, drastically diluted the negative impacts on the performance of Maltese licensees. Economic resilience and the stepped up monitoring of operator's financial performance was important from regulatory perspective. Through efficient monitoring, we ascertained the protection of player funds, with only a handful of operators facing real difficulties.

Sailing through such difficult conditions and still reaching the port of destination was the main objective, not only for the Maltese gaming industry, but for the economy as a whole. The resilience of the Maltese economy and of the gaming industry was put to the test, with Malta being one of the few economies in 2010 to register stability and encouraging economic results. A clear independent certificate of Malta's

resiliency was reported by Moody's, where in its report on the Maltese economy, the agency stated that,

"Malta's A1 government ratings reflect the country's high economic resiliency and its very high financial robustness... the country's primary challenge is to maintain economic competitiveness over the longer term, building on and securing its success in attracting investment in fields such as remote gaming, financial services, call centres and pharmaceuticals".

Such certificates of performance make us proud, even more so during a period of prevailing international economic issues, and the evolution of gaming legislative movements in other countries. Achieving this was no joy ride. Extensive efforts - often unnoticed - were injected by various stakeholders in order to continue steadily moving forward. Achieving results during turbulent times was not the result of a 'game of chance' but was the result of a thoroughly studied and implemented strategy. Such a strategy involved capitalising on the strengths built across the years, coupled with fresh actions that needed to be implemented in order to counter-act the global moment. So how did Malta manage to be resilient? The reply is a two pronged one.

Firstly, the Maltese economic strategy in general, through the continued implementation of its various economic strategic pillars and the past strategic decisions, placed a robust foundation for addressing the economic challenges. Past key decisions, such as EU membership, the adoption of the EURO as a national currency, and the investment in ICT, played an important role. This was complemented with the serious and diligent regulatory approach in financial services and the diversification across the spectrum of the services and hi-tech sectors, which also served as fundamental tools in order to mitigate the potential effect of the global financial situation on the Maltese economy. Moreover, this, was also coupled with key timely decisions and actions in order to maintain the Maltese economy competitive. →

“...important role in ensuring stability and efficiency amongst the coefficients required in the equation of economic resiliency.”

← Secondly, considerable effort was placed by various stakeholders, including the LGA, in addressing the remote gaming industry specifically, and in consolidating the strengths of having a mature, professional and robust eco-system around the remote gaming industry and the manner how it was and is regulated. The LGA took up considerable actions based on new regulatory concepts with the aim of consolidating and improving effectiveness. The systematic approach was based European Gaming developments and underpinned by a philosophy of responsible gaming for all parties involved, that is, players, operators and the regulator. Seen together the LGA's actions are the basis for sustainable growth, of which it is worthy to highlight the main drives:

- The launch of a players' charter; an EU first in this regard;
- an improved license application process, which resulted in an improvement in turnaround time of 29%, whilst in parallel still managing to improve further checks and the screening processes;
- a risk based license renewal process;
- a risk based process for licensees applying for a further license where certain duplicate submissions which did not add value to compliance checks were eliminated;

- an even more comprehensive post licensing approach, where the LGA more than doubled its 'operator checks' as part of the licensee continuous compliance assurance routines;
- more stringent regulatory checks on betting operations during the 2010 FIFA World Cup, an event which was tagged by the LGA as 'higher' risk;
- the launch of electronic payments of license fees and gaming taxes;
- the launch of a licensee relationship management function;
- increased resource capacity in the area of EU and International Affairs; and
- participation in ECJ cases.

Moreover, for long term sustainability, the LGA re-aligned its internal structure to implement, maintain and improve its operations, whilst also ensuring that the Authority further equips its supporting and strategic functions (including the establishment of a Strategy Directorate), its licensee focused role, and its player support role, whilst stepping up even further its enforcement complement. The changes play an important role in ensuring stability and efficiency amongst the coefficients required in the equation of economic resiliency ■

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The Basis of the Maltese Regulation of Remote Gaming and the ongoing supervision of the Authority on its licensees

By Joseph F Borg - Chief Regulatory Officer
Lotteries & Gaming Authority



Introduction

Vulnerable players and consumers at large are better safeguarded if the industry is transparent and adequately regulated. In turn, control phenomena such as crime and money-laundering, can only be achieved in a regulated gaming industry.

In fact, the main aims of the Maltese Gaming Regime are to:
Protect Minors and Vulnerable Persons;
Prevent Fraud and Money-Laundering in Gaming Activities; and
Promote responsible gaming which is delivered fairly to the consumer.

The role of the Lotteries and Gaming Authority is to regulate both land-based operators such as Casinos, providers of National Lottery games, Gaming Devices operators and Bingo Halls, as well as remote gaming operators.

Remote Gaming in Malta

Malta pioneered the drive towards regulation of remote (and more specifically 'online') gaming in Europe, and was hence the first European Union Member-State to issue ad hoc regulations. While Malta established itself as one of the most attractive and reputable Financial Services centres in Europe, it also established itself as one of the largest and most reputable online gaming jurisdiction world-wide.

Malta's membership in the EU and more recently the Eurozone gives Malta the required edge and concurrently imposes the necessary obligations to meet and maintain the required standards which are

essential to instill the adequate security in investors. A business efficient environment, availability of the necessary human resources and reduced costs of back office operation also contribute to this reality.

However, what transformed Malta into one of the most attractive gaming jurisdictions worldwide, throughout the years, was its high reputation and the fact that it always sought the interest of the players by actively promoting and implementing responsible gaming measures, as well as granting service providers the ideal environment to develop and promote their services, with the aim of delivering a better and more innovative product to their customer.

In this light, the Maltese License is being regarded as a seal of quality which puts the mind of customers at rest by the fact that the operator undergoes certain checks and procedures, making the operation safer for customers to play with.

This, in turn, is one of the main reasons why more operators are looking at the Maltese Jurisdiction as their ideal base from where they can offer their remote gaming services in the Internal Market of the European Union.

What makes Malta a reputable remote gaming jurisdiction?

Although the figures may somewhat deceive, obtaining a licence from Malta is not an easy task. In fact, the process is very detailed and not all applicants manage to conclude it successfully. The exercise aimed at ascertaining whether the applicant is fit and proper to hold a licence alone, →

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is extremely tough. The due diligence exercise is conducted on the ultimate beneficiary owners of the entity applying for a licence. Two other key processes include a financial analysis to ascertain the viability of the operation and a detailed technical analysis to ascertain that the procedures required to run a gaming operation in compliance with the regulations are established. Following the grant of the conditional licence, the operations of the licensee need to be successfully audited in order to ascertain compliance with the regulations.

Consumer protection and responsible gaming are at the centre of Malta's regulatory regime. Malta was, in fact, the first jurisdiction to give a certain level of confidence to the consumer by implementing a number of measures intended to protect the consumer at large, especially the most vulnerable and to encourage responsible play.

Such measures include, granting the possibility to players to inter alia set limits to control their spending and time spent playing, as well as the option to self-bar themselves. While these measures are an important step in avoiding the transformation of gaming for entertainment purposes into a vice, the burden on the operator is also proportionate.

Maintaining a Remote Gaming Licence

The main challenge is not to obtain a licence, but to maintain it. In fact, within the Authority, there is a team of people whose role is to conduct spot checks on the operations of licensees and whenever a licensee is found to be incompliant, corrective and, where necessary enforcement action is taken against the licensee.

Such ongoing monitoring and supervision is key to render the jurisdiction a reputable hub for the provision of gaming services online. The Authority performs more than one hundred and fifty operator checks every year and some of these are complimented with physical inspections on the servers and other physical set ups forming part of the licensees' operation.

The Authority, on a random basis, directs the licensee to submit its control system to an audit, to be conducted by an independent auditor approved by the Authority. Such audits are carried out on live systems in order to assess whether the operation is compliant with the regulations and the licence conditions imposed thereto.

Employees of each licensee have to pass through a probity process and are granted a licence, without which they cannot work for the licensee. Furthermore, physical inspections are carried out on licensees to ascertain that all the employees of the licensee are duly licensed by the Authority.

Enforcement

Offences against the Primary Act (the Lotteries and Other Games Act) or the Regulations issued there under are tantamount to Criminal Offences to be prosecuted in the Maltese Courts of Justice.

Thus, operators who breach the Regulations may incur hefty administrative penalties and moreover, serious breaches may also warrant for the suspension or cancellation of the licence, as well as criminal prosecution. In extreme cases, operators found guilty by the Law Courts for offences against the relevant gaming laws and regulations, may be punished with up to two years

imprisonment.

The Authority has the power to issue the above mentioned administrative penalties up to a maximum of €230,000, and shall be imposed as an alternative to proceedings in court. Another enforcement option for the Authority is to suspend or cancel the licence. In case of serious breaches, the Authority may issue a notice of suspension or cancellation against the licensee. Such notice shall run for at least a period of 21 days, during which the licensee shall have the necessary time to make representations in its defence. Following the receipt of such representations, the Authority may decide to grant an administrative fine or proceed with such suspension or cancellation.

Conclusion

It is of pride to Malta and all other EU Gaming regulators which regulate internet gaming, to note that in the recent Cricket Scandal, the fixer warned the undercover journalist that bets were to be placed with the black market or under-regulated bookmakers outside of the EU and certainly not online, where perfect audit trails would have made it extremely difficult to get away with the crime. The 'fixer' specifically told the undercover reporter that the online betting market was too regulated to commit fraud. However, to maintain such a reputation, the online gaming sector has to be adequately regulated.

In turn, the Authority shall continue striving to live up to its reputation by effectively regulating the Maltese remote gaming industry in an efficient and serious way ■



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The Face of the Authority

By Fiona Caruana - Licensee Relationship Manager
Lotteries & Gaming Authority



The Lotteries and Gaming Authority has recently established a Licensee Relationship Management Directorate to provide applicants and its licensees with a singular point of contact with the Authority. The main objective of this Directorate is to improve the Authority's interaction with applicants and licensees and to provide a one-stop shop for effective dealing and management of applicants, licensees and service providers.

Enhancing the relationship with the Licensee

The Directorate's primary focus is to build, develop and maintain relationships with the Authority's licensees and potential licensees. The role of the Directorate kicks in at the very early stages of the licensee relationship with the Authority: at the Application Stage. The potential licensee/applicant has the opportunity of setting up a meeting with the Directorate to discuss the requirements of an application, the application process and the documents to be submitted. The Directorate's role is to guide the applicant in this process, review and approve the business plan and to assist the applicant in understanding the importance of submitting correct and complete information in order to have a smooth licensing process for both the applicant and the internal Authority's resources.

Once the applicant obtains its License, the Directorate works in close

liaison with the licensee and its Key Official in order to ensure effective compliance with the legal and regulatory requirements. The Directorate is to provide guidance and information with respect to the purpose, timing, format and detail of the documentation to be submitted to the Authority as per regulatory and Authority's policies.

The Directorate has a 'brokering' role insofar as liaising with the regulatory functions of the Authority so as to ensure that the application process or any other regulatory compliance issues between the licensee and the Authority occur seamlessly. Thus, the Directorate also works in close collaboration between the licensee and the Regulatory Division and the Legal Affairs Directorate of the Authority if and when the licensee is facing key regulatory and/or legal issues. It acts as a liaison between the licensee and the Enforcement functions of the Authority when licensees are breaching the Law or Regulations for the proper and effective resolution of the matter.

The Challenges

The aim of the Directorate is to establish a pro-active role through the ongoing monitoring of the relationship between licensee and Authority's regulatory arms with the objective of recommending necessary actions as appropriate. By working in close liaison with the Authority's key personnel and internal teams, the Directorate aims to identify how the Authority can process

license applications effectively, whilst ensuring that the applicant or licensee have all the necessary requirements in place for smooth processing of requests, as it is understood that in this industry time is of essence, whilst all necessary controls are effected. By coordinating and liaising with internal Authority functions and resources, the Directorate is to ensure timely and effective licensing assessments and successful delivery of license process management.

The Future

As part of the Authority's continuous improvement programme, the establishment of this Directorate helps in identifying new opportunities to better service the Authority's licensee-base by understanding their needs, assessing proposals and applications, and identifying issues being faced by applicants, licensees and service providers alike. This Directorate will help establish a licensee-Authority relationship based on efficient communication, high-quality management and effective regulation. In essence, each operator will have a single window of communication with the Authority, whilst the Authority will also have a single window of communication with its licensees – all with the scope of improving the Regulator-Licensee relationship ■



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The Online Player

The LGA's Perspective

By Edwina Licari - Acting Director, Legal Affairs
Lotteries & Gaming Authority

One of the Lotteries and Gaming Authority's objectives, as a Regulator, is to ensure that players receive due protection as required by law. The concept of Protection is evaluated not only against compulsive gambling and player vulnerability, including measures to curtail them, but also within the ambit of ensuring players can reach informed decisions, as well as ensuring the availability and recourse to the proper terms and conditions and to the specific rules of the licensed games under the Malta jurisdiction.

In this context, and in the wake of various recent news headlines dominating various blogs, it would be apt mentioning the issue of Player Winnings and Gaming Debts, which caused undue alarm and uncertainty, particularly amongst players and in the online gaming sector at large.

I am specifically referring to the provisions which were being invoked in relation to the recoverability of Gaming Debts, extracted from the Civil Code, Chapter 16 of the Laws of Malta (refer to articles 1713-1717A), which in essence state that no action shall lie for the recovery of gaming debts. It is to be noted that the latter articles are not applicable to Games which are authorised/licensed by the Authority. Hence the Civil Code articles captioned

are applicable to gaming debts arising out of unauthorised/unlicensed games, as a deterrent for illegal gaming and which in any case are considered as illegal and tantamount to a criminal offence.

Player Figure under the Remote Gaming Regulations

A player under the Regulations shall be eighteen years of age and upwards and hence this predisposes the requirement of having a physical person. A player is obliged to register and fill in the correct details as requested, in order to hold an account and participate in a game with a licensee.

The player, once registered, shall be entitled to have access to his gaming records, to be kept by the licensed operator, showing the player's credit against the licensed operator and all the transactions effected. Furthermore, the Regulations stipulate that in the case of underage gambling, which is strictly prohibited, licensees should ensure that all adequate mechanisms are implemented so as to prevent and detect such subjects, and furthermore in the event of such an activity being detected, all funds deposited and any winnings accrued, shall be forfeited in favour of the Authority.

Players are entitled to access information relating to the rules of authorized



games, as well as to any processing fees that may be incurred by a player during the online activity. In this context it is important to highlight that it is of paramount importance for players to read carefully and understand the Terms and Conditions of any licensed gaming operation. On the other hand players shall abide by such rules in accordance with regulation 34 of the Regulations and should be discouraged from using foul play or breaching the terms and conditions.

One must note that failure of a licensee to discharge financial obligations and specifically to meet commitments with players may also trigger the procedure for a suspension or cancellation of the licence, as provided for under regulation 14 of the Regulations. The Regulations, in fact restrict the way player's funds can be handled and hence even provide for the obligation whereby licensees are required to keep such money in separate client's accounts with a credit institution approved by the Authority. It is important to note that a licensee is prohibited from accepting a wager from a duly registered player if the player does not have the necessary funds to cover that wager or if such funds have not been transferred in an approved way. This provision reinforces regulation 35(5) which prohibits the provision of credit facilities to players and fits in with the responsible gaming measures in →



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“The aim of this Charter is to develop standards, as form of best practice, in the light of consumer concerns”

← place in order to entice gambling.

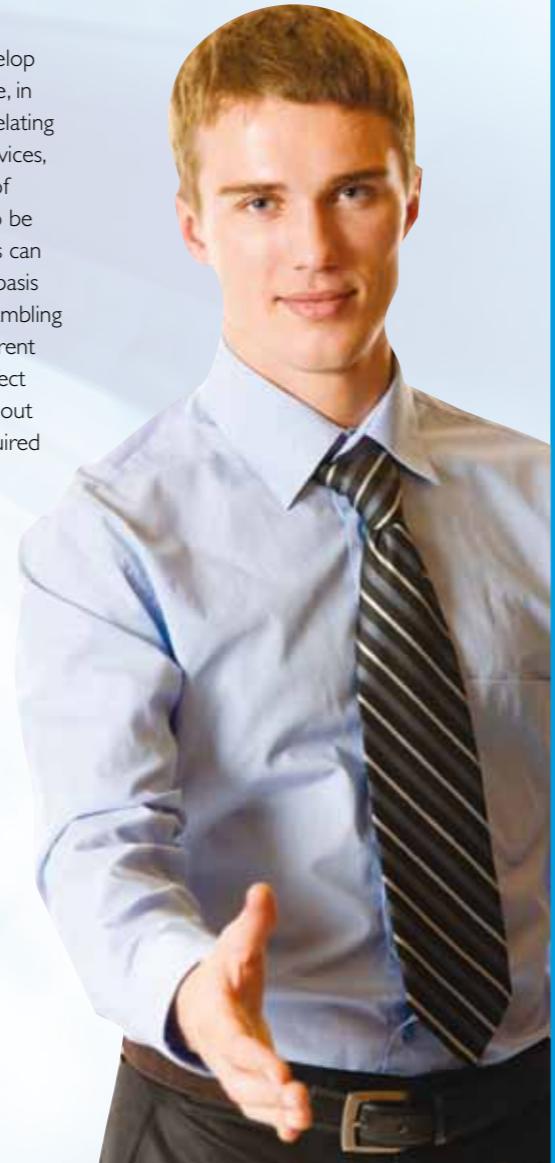
The Authority imposes various obligations and licence conditions on licensees to ensure that a minimum of responsible gaming measures are adhered to such as problem gambling warnings to be displayed on the websites, as well as information and links to other websites in order to assist problem gamblers. Players may also set limits on the amounts they wager or loose, on the time per session and also to self-exclude themselves from being able to play for a definite or indefinite period of time. These options are required to be done in writing or electronically and this also applies to any increase or revocation of such limits or exclusions. Such measures are to be put into effect by the licensees, within a specified time from receipt of such notice, in accordance with Regulation 43 of the Regulations.

The Authority's Initiatives

The introduction of the Player Charter, which is available on the LGA website, formed part of the Authority's strategic plan for the year 2010. It is a form of commitment and an effort to resolve player's issues in the best way possible and under the current administrative resources and legal instruments currently at hand. It compliments Part XIV of the Regulations covering the handling of complaints by the Player Support

Department and clarifies further the player's position, whilst enhancing certain first hand obligations duly expected from the player's part.

The aim of this Charter is to develop standards, as form of best practice, in the light of consumer concerns, relating to gaming and betting related services, as well as for the high standards of service aimed by the Authority to be achieved. The Charter's provisions can also be looked at as forming the basis for consumer education within gambling and betting to highlight how different activities within this sector can affect consumer rights and it also spells out certain obligations which are required to be adhered to as a form of co-operation ■



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Multi-Jurisdictional Mayhem ... A Fallacy in the Making



By Paul Gonzi - Associate
Fenech & Fenech Advocates

To harmonise or not to harmonise... that is the EU legislator's question. To get licensed and pay taxes in 27 member states...that is the operator's dilemma.

Truth be told, as these questions remain unanswered one can only try to predict what the direction of the igaming industry shall be tomorrow, in Europe and beyond. This quandary reflects each State's desire to grab a slice of this multi-billion Euro cake, a cake which comes in many colours, flavours and aftertastes depending on who bites at it!

It is no hidden secret that several EU States have sought to hold close to home every interest in their domestic markets, primarily by defending protectionist cradles for their state-owned or state-sponsored monopolies, imposing barriers to entry into

their territory, often discriminating against or imposing sanctions upon foreign service-providers who dare seek to advertise or offer games within their jurisdiction. All this, arguably, in the name of consumer protection and under the good guise of overriding national interest - quoting grounds of cultural, moral or religious reasons (such as money laundering or gambling addiction) as justified reasons compatible with the EC Treaty w a claim often challenged also by the European Commission itself.

Indeed, those who have followed the ECJ's never-ending saga of opinions and decisions touching upon the blurred cross-border parameters of the gaming industry know for certain that there actually is no certainty. The industry has time and again felt the heavy shockwaves of contradictory statements, decisions and interpretations - with shareprices often fluctuating in tune with this blurred judicial wrangling. From Gambelli to Placanica to Liga Portuguesa to Bwin International, to Santa Casa, Otto Sjoberg, Winner Wetten, and so many more.

The operator is now subjected to a multitude of over-lapping laws, standards, tax and licensing regimes and, unfortunately, having to live with the antithesis of that which the European Union's founding fathers had first envisaged - a single

exceptional cases based on objective, necessary, transparent, non-discriminatory and proportionate grounds.

Indeed one can sway to and fro between arguments, yet in recent months the tides seem to have changed and the balance does seem to have tilted slightly towards the 'open market' this time not only by ECJ decisions but also in practice. High flying state authorities seem to have shed some of their protectionist feathers and albeit at slow and meagrely paces, markets are indeed being opened - Germany, Italy, Spain, Denmark and even France seem to be biting the bullet ... at least to some extent.

Whether these recent developments echo the true intentions of these States to open up the market or conversely reflect a temporary disguise for their protectionism is something yet to be tested. What is certain however is that the legitimate operator whose intention is to lawfully offer cross-border services remains unaided, entangled in this legal mayhem.

The operator is now subjected to a multitude of over-lapping laws, standards, tax and licensing regimes and, unfortunately, having to live with the antithesis of that which the European Union's founding fathers had first envisaged - a single

harmonised European internal market embracing the principles of freedom of establishment and freedom to provide cross-border services without unnecessary or discriminatory obstacles, delays or the duplication of conditions.

Though not straightforward, achieving this target is not impossible and as things are going, it is likely that the European Union shall have to do something concrete about it sooner than expected. As happened with the regulation of electronic signatures and e-commerce generally, or with other cross-border industries such as financial services, banking and money-laundering, the EU shall have to recognise that there is no option but to implement harmonized rules, standards and procedures across all member-states also in the gaming sector.

This becomes all the more evident as Member-State authorities are recognising that they cannot walk the tightrope alone but need to speak, exchange information with and to an extent rely on other Member-States that have for years embraced the online revolution with vigour. One cannot but refer to Malta which in 2004 became the first EU member-State to offer dedicated igaming legislation, having today processed over 500 applications and licensed some of world's largest operators

and software providers. Malta's geographical position, fully EU-compliant legal system and multi-lingual and skilled workforce have seen through the growth of a flourishing industry demanding tough operator scrutiny and player protection. Malta, the smallest EU memberState, today has a comprehensive legal framework, infrastructure and regulatory environment which together adopt stringent European and international standards on security, intellectual property and money laundering amongst other things. With six years of acquired experience and practical understanding of this ever-changing industry Malta remains at the forefront as a trusted jurisdiction and late-comers must work very hard to achieve and replicate what Malta has today.

Co-ordination and co-operation on a practical level amongst member-states such as Malta is a must. The EU cannot, whether economically and socially, afford to maintain this constant jurisdictional struggle which does nothing but place added financial and operational burdens on legitimate operators and which ultimately is advancing a fragmented legislative approach to such a crucial industry for the Union. Just as operators should be entitled to operate from the jurisdiction of their choice, without duplication of requirements and costs, consumers should be afforded equal

protection across a harmonised Europe. This is in fact exactly what the authorities in Malta have been calling for in recent years - the prospect of a harmonised market, where robustly licensed operators can passport their hard-obtained and continuously scrutinized licenses to operate in foreign member-States - an environment which promotes responsible gaming, avoids underage and problem gambling and a situation where consumers are aware of their harmonised rights and protective measures.

To date, the ECJ has emphasised that justifiable restrictions are limited in nature, yet a much more vigorous enforcement of the internal market rules is required. Until then, whilst the EU must put a stop to this jurisdictional mayhem, operators ought to remain established and operate from jurisdictions such as Malta whereby the principles of the EU Treaty are respected, implemented and fought for and not merely tolerated as a temporary fix ■



By Michael J. Zammit - Group CEO
CSB Group

'Think, Plan, Implement and the Rest will Follow'.

Like in all businesses, amongst a number of factors, planning is an integral part of any business, especially when facing tight deadlines. No matter how much one plans, for some reason or other the pressure always builds up especially when one under estimates the amount of time, resources, commitment and research required to meet a deadline. Co-ordination is another vital element especially with the way the business world has developed when having various business units and consultants spread around the globe and working from different time zones.

So, before establishing a deadline in respect of an application and obtaining a Remote Gaming License from the Malta Lotteries & Gaming Authority, one must ensure that they are familiar with the application process and most importantly not under estimate the work involved when applying for a license.

The application for a Remote Gaming License which includes 3 stages, is made up off the first stage being the "Fit & Proper Business Plan Review," the second stage being the "Business & Technical Ability Assessment" with the final stage being the "Compliance Systems Review".

Such a process should begin with a period of consultation with a reliable and reputable firm offering consulting and support services to applicants, where applicants are guided on the type of Class of License/s required based on the type of games and/or bets to be offered; the company structure to be adopted

vis-à-vis the number of licenses to be applied for including the appointment of an experienced management team and key official; a financial analysis of the business plan ensuring an operation is covered by sufficient reserves / securities to ensure player winnings and deposit returns; and last but not least the technical documentation which would typically include a detailed operation manual outlining amongst others the company's policies and procedures, rules and terms and conditions of the games; application and system architecture of the gaming and control systems, security and control procedures; back-up, business continuity and disaster recovery procedures; together with the various agreements entered into with business partners, affiliates, and / or agents.

As clients have individual requirements, when deciding which firm to engage to assist you with your gaming application, one should ask around on their track record and their involvement in the industry, understand their business set-up to ensure all areas where you seek assistance are actually covered, and last but not least, one should not let fees be the basis of a decision....we all should know by now....that the most attractive quote could turn out to be the more expensive job, should the incorrect advice and guidance be given.

Keeping all of the above in mind, will definitely lead to a faster and more streamlined process to obtain a license ■



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The Veteran Jurisdiction



By Olga Finkel - Managing Partner
WH LAW

The currently applicable Remote Gaming Regulations ('Regulations') have been in force since 2004. Every legislative instrument is tested by time and, in such a dynamic area as remote gaming, it is inevitable that some amendments and adjustments are necessary over time. Given this fact, it is even more satisfying that the Regulations have proven to be remarkably resilient and reliable. In my view, this is mainly due to three aspects of the Regulations.

Firstly, the Regulations are both technology-neutral and game-neutral, thus allowing for any new games, new technologies and new inventions to 'fit' into the regulatory regime without the need to change the laws.

Secondly, the Regulations (and the Lotteries and Other Games Act - the primary legislation under which the Regulations were promulgated) have allowed wide discretion to the Lotteries and Gaming Authority for adaptation, implementation of policies and procedures (within the remit of the law, of course), so that in practice, while the Regulations have not been amended, the regulatory regime as a whole has been continuously developing and adapting to the realities of the business and emerging regulatory concerns. Thus, the main principles enshrined in the law - keeping remote gaming business free from crime, protecting the players (both with respect to protection of players' funds, as well protection of minors and vulnerable), ensuring that the remote gaming operations are transparent and auditable, that procedures used are in line with best practices and legislation relating to processing of financial transactions, information security, anti-money laundering, personal data protection; - are all implemented and are be requirement for the remote gaming licensees to be in line not only with gaming-related laws but also with

all other laws applicable to their activities. Closer examination of every cornerstone of Malta regulatory regime as a whole reveals its serious, responsible approach that safeguards the rights of the players, while also safeguarding the operators' interests and reputation. Let us look at just one such cornerstone - player protection features.

Closer examination of every cornerstone of Malta regulatory regime as a whole reveals its serious, responsible approach that safeguards the rights of the players, while also safeguarding the operators' interests and reputation. Let us look at just one such cornerstone - player protection features.

The regulatory regime requires that all licensed operators display at all times a warning of the addiction of gaming, provide links to websites which assist compulsive gamblers and do not provide (or stop providing) services to persons who have gambling addition problem. Furthermore, a licensed operator should provide to players the possibility to limit the amount of wager placed within a specified period of time, the amount of losses which may be incurred within a specified period of time, the amount of time the player may play in any one session, and the possibility to self-exclude him/herself for a definite or indefinite period of time. A licensed operator is also required to notify a registered player by means of a reality check popup every hour, to remind the player of the time spent playing the amount lost and won, and provide the player with the possibility to terminate the session.

Furthermore, a licensed operator is prohibited from providing its services to persons who have not attained the legal age of majority.

With regard to protection of players' funds, the Regulations require licensed operators to have a separate bank account for the players' funds segregated from the licensee's operational funds. A licensed operator is in fact prohibited from dealing with players' funds.

Naturally, it is not enough to promulgate laws or to introduce policies. It is as important to ensure that these laws and policies are complied with by the regulated bodies. And here comes the third aspect of the Regulations (and the Act) that has contributed to the success and time-resilience of Malta's remote gaming regulatory regime - Regulations give

the power to the LGA to effectively monitor, both on continuous and ad hoc basis, licensees' compliance with the Regulations, which power is backed up by the LGA's competence to take action, including the imposition of fines, physical blocking of the operation, and suspension of the licence in serious cases.

For example, with regard to keeping players' funds, the LGA checks the amount of players' funds actually kept by the licensee against the licensee's total liability to players on a monthly basis.

While the above and other requirements put more onerous obligations on licensees comparing with some other jurisdictions, the licensees nevertheless benefit, since as a result they are considered more serious and trustworthy by their players and, therefore, distinguish themselves from other less regulated and less credible operators, thus winning more business.

Yet another aspect of Malta's regulatory regime making it stand out from many other regimes is its non-discriminatory nature. Unlike in many other jurisdictions, Malta-licensed operators can utilise their licence to offer their services both in foreign jurisdictions (subject to the laws in those jurisdictions), as well as in Malta. Moreover, as far as offering of remote gaming services to Malta residents is concerned, the Maltese regulatory regime does not discriminate against operators licensed in other EU/EEA states: such operators can offer their remote gaming services to Malta residents without the need of a Malta licence.

Of course, there is always room for improvement. Removing the requirement for a licensee to be an entity and equipment to be based in Malta and allowing them to be based in any country of the EU/EEA would, in my view, remove the last discriminatory element of the Regulations. Clearly specifying the ability of Class 4 licensees to host EU/EEA-based operators would also work in this direction. I would also further strengthen the protection of players' funds in situations when the operator's financial standing is not satisfactory. Fortunately, due to the above-mentioned three aspects of the Regulations, many of the improvements would not require amendments to the laws and, hopefully, will develop through the LGA policies ■

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Towards the Removal of State Monopolistic Barriers?



By Tonio Ellul - Partner
EMD



By Jeremy Debono - Partner
EMD

Governments are often encouraged to explore the option of prohibition of gaming because they are lobbied by monopolies that wish to avoid competition, or by those who are opposed, in principle, to any form of legalized gambling.

In spite of the recent proposals for free movement of gaming services within the European Union (EU), the reality is that online gaming operators continue to face prohibitions, constraints and conditions in many EU Member States. Most Member States have established exclusive monopolies so that only a single entity in the respective Member State is legally authorised to offer a particular type of gaming service. None of the legal battles fought before the European Court of Justice by certain operators against national monopolies have achieved much success.

Currently some of the EU Member States are adopting an approach requiring a remote gaming operator to have a licence within its territory thus placing a drive which could see that an operator seeking to provide services within the EU may be required to have multiple licenses. The approach of having territorial national authorizations is being perceived to mean that the concept of territorial national authorizations is now the accepted norm, when in actual fact, according to the Treaties and the Internal Market Rules, such a model can only be considered to be the exception, as the internal market rules and the freedom to provide services were and still are the rule.

Most Member States are now working on developing their own regulations. The UK launched a consultative process to assess whether to embark on a process leading to new legislation where online operators currently licensed outside the UK would need to apply for a licence from the UK Gambling Commission if they wish to advertise their gaming services in the UK. Although Italy has successfully completed its regulation, it is not clear on what basis and what tax rate this regulation will come into force. With the ECJ preliminary ruling of the 8th September 2010, Germany is now under pressure to review its gaming policy, which according to the ECJ needs to be consistent and coherent, whilst in France new gaming legislation has been introduced in order to legalize and regulate certain types of remote gaming (still excluding online casinos), with such a regime being criticized by the industry as having an unsustainable tax burden for commercial viability. A number of other Member States still base their arguments that a state monopoly system is the best measure available for player protection, however if one had to go back some decades and read the justifications for state monopolies in other economic sectors, one can immediately relate to what is being claimed on State gaming monopolies and realize that the state monopolies of the time, in other sectors, have all disappeared, for the better of competition and consumer choice. Is this the same destiny for State Gaming Monopolies? ■



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Frequently Asked Questions: Providing the Answers



By Sam Gauci - Legal Officer
Lotteries & Gaming Authority

When deciding whether to apply for a remote gaming licence many questions come to mind so as to ensure that one is making the most informed choice possible.

The main issues which are to be considered when making such a choice include: (i) the credibility and reputability of the licence; (ii) the knowledge that the regulatory authority is approachable, efficient, serious and professional; (iii) that the licence is based on a tried and sound legal regime; (iv) that the players have faith in the licence; and (v) that value for money is assured.

One can rest assured that these are all at the top of the Lotteries and Gaming Authority's (hereinafter the 'Authority') priorities and that it continuously strives to remain the pioneer regulator in this ever-developing sector.

Furthermore setting up in Malta is advantageous from many other points of view considering that Malta is a member of the European Union, has adopted the euro as its currency, is at the centre of the Mediterranean Sea blessed with wonderful weather, whilst having a professional and hard-working workforce with a strong work ethic, to mention just a few.

The questions and answers included in this article should help to provide specific answers to questions which are usually posed to the Authority by applicants and licensees.

What Classes of Licences are available?

The Remote Gaming Regulations (hereinafter the 'Regulations') establish four (4) Classes of Remote Gaming Licences, these being:

Class 1 - a remote gaming licence (eg. – casino type games, online lotteries) whereby operators manage their own risk on repetitive games. It is also possible to have a Class 1 on 4 licence whereby the Class 1 licensee operates its games on the software and in certain cases through the equipment of a Class 4 licensee;

Class 2 - a remote betting licence (eg. – fixed-odds betting) whereby operators manage their own risk on events based on a matchbook. It is also possible to have a Class 2 on 4 licence whereby the operator uses a licensed Class 4 as its platform;

Class 3 - a licence to promote and/or abet remote gaming in or from Malta (eg. - poker networks, peer-to-peer (P2P) gaming, game portals) whereby operators take a commission from promoting and/or abetting

games. It is also possible to have a Class 3 on 4 licence whereby the operator uses a licensed Class 4 as its platform;

Class 4 - a licence to host and manage remote gaming operators, excluding the licensee itself, whereby software vendors provide management and hosting facilities on their platform. In essence this is a business to business (B2B) gaming licence.

What are the applicable Remote Gaming licence fees?

The fees due to the Authority include:
application fees;
yearly licence fees;
renewal fees;
approval fees; and
administrative fees (where applicable).

The amounts of the fees due can be found in the Second Schedule of the Regulations, which may be found in the legislation section of the Authority's website: www.lga.org.mt

What is the Gaming Tax imposed on the Remote Gaming licensees?

The imposed Gaming Tax differs from one Class to another and the exact amounts can be found in the Fourth Schedule of the Regulations, which may be found in the legislation section of the Authority's website: www.lga.org.mt

What does the application process consist of?

The application process is divided into three (3) stages. These being:

- fit and proper and business plan review – the Authority;
- analyses all the information related to the persons involved in the financing and management of the applicant;
- verifies the business viability of the operation;
- carries out probity investigations with national and international regulatory bodies and law enforcement agencies;
- submits the business plan to a financial analysis;
- business and technical ability assessment - the Authority examines and reviews the instruments required to conduct the business, whereby, amongst other things, an examination is carried out of the:
- incorporation documents;
- games;
- business processes related to conducting the remote games;
- rules, terms, conditions and procedures of the games;
- application architecture and system architecture of the gaming and control systems.

If the review is completed successfully, a provisional licence is issued to operate gaming with the intent of obtaining a certification of compliance within a pre-established time frame; and compliance systems audit - this takes place within the first months subsequent to the provisional licence being issued whereby the licensee is expected to commence its operations and undergo a Systems Audit of its operation.

How long does the whole licensing process usually take?

If all the necessary documentation and information is provided to the Authority, the process leading to the provisional licence takes approximately twelve (12) to eighteen (18) weeks.

What are the main responsibilities of a Key Official?

The Key Official (KO) is the liaison person between the Authority and the licensee and therefore such person must always be abreast of all the operations of the licensee. The KO must be a director of the licensee and readily available in Malta.

The KO's responsibilities are to:

- personally supervise the operations of the licensee;
- ensure that the licensee complies with all applicable laws and regulations, the conditions of the licence and any directives issued by the Authority to the licensee

Does the Authority license Fantasy Sports?

Such games are licensable under a Class 3 Licence, provided that the player can win a prize.

What are the requirements for share transfers and licence transfers?

Before any such transfer may take place, the Authority's approval in writing must be obtained. The Authority may request that it is presented with any documents which it deems necessary for it to decide whether to approve or otherwise the request being made by the licensee.

How does the Authority deal with player complaints?

When the Authority receives a complaint from a player it either investigates the complaint itself or refers such complaint to the relevant licensee. In the latter scenario, the licensee shall within a period of twenty-one (21) days reply in writing stating the results of the inquiry into such complaint. The player is subsequently informed in writing of the outcome of any inquiry whereby reasons are given for the conclusions drawn in such notification.

If a complaint is addressed to the Authority and it results that the company is not licensed by the Authority, the player is informed of this fact and is guided as to where the complaint may be addressed.

What are the limitations on advertising?

One of the main roles of the Authority is to assure the protection of minors and vulnerable persons and therefore, in line with this, the Authority has set certain limits on advertising which inter alia are that advertising cannot:

- encourage anyone to contravene a gaming law;
- show people under eighteen (18) years in the gambling advert;
- encourage or target people under eighteen (18) years old to gamble;
- suggest that gambling is a form of financial investment;
- promote smoking and, or the abuse of the consumption of alcohol while gambling;
- tarnish the goodwill and privilege that is associated or related in any manner whatsoever with being a licensee, or tarnish the image or reputation of another licensee.

The complete restrictions are established in the Code of Conduct on Advertising, Promotions and Inducements issued by the Authority.

Furthermore, in the case of online gaming licensees, irrespective of where they promote their services, advertising cannot:

- imply that remote gaming is a means of social acceptance, personal or financial success or the resolution of any social,

economic or personal problems;

- be directed at encouraging individuals under eighteen (18) years old to engage in remote gaming;
- exceed the limit of decency;
- be endorsed by a well-known personality whereby it is suggested that remote gaming contributed to that person's success;
- be conducted through the sending of unsolicited electronic mail.

How are player funds protected?

Player funds are protected since a Client's account is set up by the licensee, which account is held with a credit institution approved by the Authority and is separate from the licensee's own funds;

- the Client's account cannot be used to rectify/indemnify any of the licensee's financial problems since such account is distinct from the licensee;
- the Authority may request the licensee to issue a bank guarantee in the Authority's favour in order to protect the players' funds;
- the credit institution is to disclose any information requested by the Authority regarding players' accounts;
- the licensee cannot deal with the amount of money in the player's account except in the circumstances established in the Regulations;
- if a player's account is dormant for thirty (30) months, the licensee is to try to contact the player to refund the remaining balance and if not successful shall transfer the money to the Authority;
- upon the player's request, his funds will be returned to the account from which they were originally withdrawn within five (5) working days or within a period of time which is reasonably necessary to verify certain details and activities of the player's account as established in the Regulations.

What is the Systems Audit and why does the Authority perform such an audit?

The Systems Audit is conducted in the period stipulated by the Authority after the provisional licence is issued. Such audit is conducted to verify that what is presented in the business and technical stage of the application process is implemented in the operating system.

Do employees of Remote Gaming licensees need to be approved by the Authority?

Employees must be approved by the Authority. An application form is filled in, attaching all the relevant documentation, and submitted to the Authority whereby such application is processed to confirm that the proposed employee is fit and proper. If all the requirements are satisfied the Authority approves such employee.

Can games of chance or games of chance with skill be offered through multiple delivery channels, such as mobile?

Yes. The Regulations are technology neutral, thus various delivery channels by means of distance communications can be approved by the Authority.

The above are a set of selected questions which are frequently addressed to the Authority. For a complete version of these FAQs please refer to the Authority's website: www.lga.org.mt ■



By Maria Micallef - Partner
RSM Malta

Don't gamble on your Key official

An operator that is familiar with the Maltese jurisdiction and its remote gaming regulations (regulations) is aware that the licensee is required to appoint a key official (KO) within 21 days from the issue of the Letter of intent (provisional licence) by the Lotteries and Gaming Authority (Authority) and prior to going live.

The KO is loosely described as the 'guardian' of the remote gaming licence held by the licensee. This in view of his/her responsibilities that include the obligation to supervise the operations of the licensee and ensure that the licence holder complies with all applicable laws and regulations and any directives issued by the Authority.

The remote gaming regulations in Malta stipulate that a Key Official has to be a person nominated by the licensee who is a director of the licensee entity and resident in Malta.

The Authority's current view is that despite the fact that corporate directorships are allowed under Maltese company legislation, the spirit of the regulations are such that compel the Authority to approve only physical persons in the role of key official. A key official's appointment has to be approved by the Authority and thus in theory there could be a scenario where a corporate director is approved as a key official. To date however the Authority has only approved physical persons in this role—indications are that this view of the Authority is not likely to change in the near future.

In his/her role of a director the KO is assuming responsibilities that go beyond those required of a KO. Although our company legislation does not define the juridical nature of the company director it does stipulate that the directors of the company shall promote its well-being and shall be responsible for the general governance, proper administration and

management of the company and the general supervision of its affairs.

Gone are the days when the title represented little more than a useful way of gaining entry to a golf club, or a handy role to put in one's CV. The duties of a company director now carry wide ranging responsibilities - and heavy penalties if things go wrong. So apart from any consideration to the role of the KO, a person accepting such a role should be very careful as in the process he/she is taking on the responsibilities of a directorship. Moreover the licensee appointing the KO has to realise that in effect he is also appointing a director who forms an intrinsic part of the Board of Directors of the company.

The KO is generally considered to be the main point of contact between the licensee and the Authority and must therefore be readily available when required by the Authority. This requires an element of physical presence in Malta. Residency is not defined in the regulations; however the Authority interprets this requirement in the context of the KO responsibilities and expects a KO to be readily available to fulfil all duties and legal requirements.

The key official should be in a position to acquire and relay information expeditiously to and from the licensee and the Authority. He/she should also be able to make immediate decisions in order to assist the Authority to remedy and control potential problems.

A KO appointment is indefinite and continues throughout the licence term unless it is suspended or terminated by the Authority. Furthermore the written consent of the Authority is required when the KO resigns from his/her post. The Authority requires this to ensure accountability and responsibility throughout the term of office.

It is evident to a person of average intelligence

that the extent of responsibility involved requires a licensee to give serious thought and consideration to the appointment of the KO. A licensee may appoint more than one KO. Each KO however is expected to have the required knowledge of the gaming operation without distinction. Multiple key officials with the same licensee are jointly liable to fulfill their obligations at law.

The regulations do not prohibit an individual from holding the position of KO with more than one licensee. The Authority does not encourage this and considers such a situation as 'undesirable'. Present scenario however indicates that it is accepted practice to allow the appointment of the same KO with more than one licensee, even competing licensees. The local Companies Act on the other hand precludes a director of a company A from accepting appointment with a competing company B unless approval to this effect is given at a general meeting (annual or extraordinary) of the shareholders of company A. Current practice is for the Authority to request a letter from the relevant licensee declaring that they do not have an objection to such an appointment.

One of the main reasons that accounts for Malta being a major remote gaming industry in Europe is its solid and robust regulatory framework which is based on regulations that ensure that gaming is provided in a fair, responsible and transparent manner, free from crime and money laundering. Although some operators may consider the KO appointment as an added cost and administrative burden it is in fact, if well implemented, one of the checks in place to ensure integrity, accountability and compliance on the part of the licensee ■



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Malta: Regulation is the Key



By **Adrian Vella** - Partner
Focus Business Services Malta

Judgments delivered by the European Court of Justice (ECJ) last September have snapped a series of rulings in favour of state gaming monopolies. In Cases C-316/07, C-358/07 to C-360/07, C-409/07 and C-410/07, operators and intermediaries of operators licensed in Gibraltar, Austria, Malta and the UK, successfully challenged a prohibition in Germany for the offering of online sports betting.

The ECJ ruled that German laws protecting state monopolies for gambling are not "justifiable" adding that "The public monopoly of the organisation of sporting bets and lotteries in Germany does not pursue the objective of combating the dangers of gambling in a consistent and systematic manner".

The aforesaid ruling, reiterated a similar stance adopted by the ECJ in Engelmann (Case C-64/08), wherein the Court held that Austrian legislation, under which only companies having their seat in Austria have the right to operate casinos, was in breach of European Union law.

Welcome news to private-owned online operators, but has the pendulum swung back in their favour? Not entirely, and certainly not to the degree that private operators would have wished.

Firstly, despite the aforesaid rulings, the ECJ does not expressly prohibit member states from establishing a monopoly in gambling provided that such monopoly consistently pursues the goals of combating gambling addictions and curtailing organised crime. Member states are afforded broad discretion in determining this level of protection, and it is only when state monopolies fail to pursue this scope, that their existence can no longer be justified.

Secondly, the judgments have arguably been undermined by the slackening momentum in supporting a free gambling market. With some member states opening to private operators conditional to the attainment of a local licence, the drive towards liberalising the market has suffered a setback.

Malta has been consistent in its position, arguing that the key to the gaming market lies in stricter regulation and not through local licensing. If the scope of legislation is driven by social and not fiscal policies, then insofar as consumer protection is ensured through a rigid licensing regime, the intended result would be achieved.

A local licensing system does not per se mean that consumers are afforded greater protection. Quite the contrary. A regime

whereby operators require multiple licences to operate in different jurisdictions, will not only serve to further fragment the EU with a cobweb of bespoke domestic rules, but arguably run foul of the precepts of trade and freedom of establishment enshrined in Article 56 and 49 of the Treaty on the Functioning of the European Union, which could and should apply to gaming.

It would also spark off a Darwinian tussle, whereby only few operators with the pecuniary muscle or protected by state monopoly could operate extensively within the EU, thereby significantly reducing customer choice.

The key therefore lies in ensuring that consumers make an informed, not an artificially limited choice, by establishing a transparent, fully-regulated legislative framework which scores heavily on consumer trust. High security standards and certification, such as those inherent in a Maltese gaming licence, assure online punters that a reputable authority has verified the credentials and integrity of the operator, and in turn, grants operators a safe harbour from which to run their business professionally ■

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Linking and Routing to Europe's Information Superhighway



By Ian Curtis - Director
BMIT

In the virtual world, being a small and isolated island matters very little. On the contrary, our country's size and boundaries are our key to success in the age of virtualization, mostly because we have been able to plunge ahead of other European countries in the introduction of new technologies across the whole nation.

Fuelled by a strategic partnership between the public and private sector, Malta has found its place amongst the leaders in the provision of internet services in Europe. The Maltese Government laid out an ambitious plan which attracted i-Gaming companies like bees to honey. Through the implementation of sensible legislations and regulations, the country has captured a niche market which continues to grow at a steady rate. By the end of 2009, there were 330 active Remote Gaming Licenses on record, procuring some 5,000 jobs related to this blossoming sector.

Malta's growth in the Remote Gaming industry is attributed primarily to the stable, functional and progressive regulatory framework. The Malta Gaming Authority is there to ensure that gaming is conducted in a fair and transparent manner. This promotes a sense of security to online players who are using an operator licensed

in Malta for their online gaming. Apart from this, i-Gaming operators are also attracted by favourable tax incentives, the availability of quality service providers at competitive rates and the strategic geographical location of the Maltese Islands.

Leading local telecommunication companies have partnered with reputable international carriers like Interoute, Telecom Italia, Cable & Wireless and Wind and invested huge amounts of money in order to lay down 4 fibre optic submarine cable links to Europe. This investment in electronic communication services is vital for the Maltese economy, especially when one realizes that the i-Gaming industry alone consumes 50% of internet bandwidth.

The next challenge for Malta will be the switch to the so called Next Generation Networks, with the Government planning to facilitate the implementation of NGN's and ensure that once again Malta will be amongst the leaders in the provision of this technology ■

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By Jankarl Farrugia - General Manager
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For the last years, telecommunications and IT technology have enabled many employees to work effectively and independently outside their companies' offices. Employees are less and less working from a fixed office because of their regular moving from professional meetings to frequent business travels. With this growing presence of mobile workers, companies are more and more looking for flexible workplace solutions that enable them to reconcile the benefits of a mobile workforce with the costs of the workspace needed.

Using flexible workplace solutions – that include the use of fully equipped offices, meeting rooms, virtual offices and business lounges on a flexible basis - and adopt diverse workplace strategies play a major part in assisting corporations to reduce their costs, seize business opportunities limiting risks and meet new business customers.

Saving costs

The expenses associated with leasing, equipping and staffing an office space represent generally between 5 and 10% of a company's turnover, equal to their second

largest cost of doing business. Cost savings and total cost transparency come from using fully equipped, staffed and managed offices, where it's easier to predict and control costs than a conventional lease. Typically, your space requirement is 30 per cent less than with a conventional lease; reception areas, service areas, corridors, kitchens and toilets are included. You also only pay for the space and offices you really need and the services you effectively use. Other cost savings can be made by avoiding the often substantial time delays associated with fit-out for conventional solutions because serviced offices can be occupied almost overnight. And, outsourcing eliminates many of the usual headaches associated with the day-to-day running of an office, enabling companies to focus on their core business.

Be flexible in response to changing market conditions

Up or downsizing space requirements without incurring huge penalties is another major advantage of outsourcing office spaces. Businesses are becoming more innovative with their property solutions, adopting a mix of 60 per cent core

and 40 per cent managed and serviced office space. The flexible portion is on the increase, the report states, driven by the increasing difficulty in forecasting headcount, technological innovations, and changes in workforce patterns. Adopting a more flexible way of working allow companies to easily adapt their office spaces to their needs, as well as seize business opportunities and explore any market in the world limiting risks and avoiding any long term commitments.

Networking

Networking is vital for meeting new customers and contacts, and gathering information and advice. It is one of the easiest ways to generate new business. Outsourcing office space allows companies to do so in the simplest and most effective way.

With the world of work changing so significantly there's never been a better or more advantageous time for companies to adopt a flexible way of working to be able to work whenever, wherever and however they need ■



By Jonathan Dalli - Head of Marketing
e-Management

Malta, the Mediterranean island, has unquestionably established itself as the hub of remote gaming in Europe. When reputable operators started earmarking Malta as their new 'home', they also realised the various competitive advantages Malta has to offer, including but not limited to:

The Malta Gaming Jurisdiction Quality Attracting Quantity...

- an EU member state since May 1st, 2004 and euro-zone member since January 1st, 2008; ensuring Malta has a voice in the various EU institutions when discussing the future of the iGaming industry;
- a welcoming jurisdiction with the regulator having a pro-business attitude and approach, simultaneously being accessible and pragmatic; thus contributing to a solid reputation as a well-regulated jurisdiction which safeguards the interests of the operators as well as those of their players;
- an efficient and relatively inexpensive licensing process;
- a very attractive fiscal regime / incentives to the benefit of companies operating from the island, including the availability of tax refunds based on Malta's full imputation system; complemented by a wide network of double tax treaties with various countries;
- the domiciliation of companies into Malta or out of the island, facilitating the notion of a company being a going-concern;
- an established and well regulated financial services industry and the presence of reputable international financial institutions, accountancy & audit firms and banks;
- a stable democratic, political and economic climate, with the government earmarking various areas, including financial services, for Malta to be a centre of excellence, this becoming the government's short-to-medium term strategy and vision;
- a highly qualified and skilled workforce, fluent in various languages with English being a mother tongue; and
- web / data hosting and co-location facilities, based on a state-of-the-art telecommunications infrastructure with four Internet connectivity submarine cables connecting Malta to Sicily and subsequently the rest of the world.

The above advantages have meant that other operators started following suit and as such confirmed that a Malta Gaming Licence is a "seal of quality". Furthermore, this confirms the LGA's slogan of 'Reputable, Responsible and Responsive' as the European Hub of Remote Gaming ■



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LETTINGS

A tax efficient environment for Maltese remote gaming companies



By Anjelica Camilleri Demarco - Associate, Mamo TCV

Whilst there are various factors which have contributed towards placing Malta on the map as a leading remote gaming jurisdiction, not least the fact that it has established itself as a seriously regulated and respectable quality jurisdiction within the European Union, Malta also finds itself at the forefront of the remote gaming industry due to the attractive fiscal regime that it is able to offer.

Two levels of taxation

A company issued with a remote gaming licence by the Malta Lotteries and Gaming Authority (the 'LGA') is subject to two main types of taxes:

Gaming Tax; and Corporate Tax.

Whilst gaming tax is imposed solely on the betting revenue generated by the remote gaming company, corporate tax is imposed on all of its business profits, after deducting expenses.

Gaming Tax

Different competitive rates of gaming tax apply depending on the type of gaming license issued:

Class 1: €4,658.75 per month during the first six months; €6,988.12 per month for the remaining licence period.

Class 1 operating on a class 4€1,164.69 per month.

Class 2: 0.5% on the gross amount of bets accepted in remote betting operations.

Class 3: 5% of the real income (revenue from rake less bonus, commissions and payment processing fees).

Class 4: No tax for the first six months; €2,329.37 per month for the subsequent six months; €4,658.75 per month for the remaining licence period.

In all cases, the total maximum tax payable per annum by one licensee in respect of

one licence shall not exceed €465,874.68.

The above gaming taxes must be paid to the LGA as from the go live date, on a monthly basis and the licensee shall, not later than the twentieth day of the month, pay such gaming fee to the LGA for the previous calendar month.

Corporate tax

Resident Companies are taxed at the normal corporate rate of 35%.

Relief for economic double taxation upon the distribution of taxed profits by companies is ensured by the application of the full imputation system whereby company tax is fully credited to shareholders on distribution of profits and the Malta tax payment and refund system whereby, depending upon the business activity from which the profit has been generated (which accordingly determines the tax account allocation of the underlying profits), recipients of dividend income may become entitled to refunds of company tax paid. The applicable refunds are namely:

6/7ths refund - This refund is the normal refund applicable to companies in respect of trading activities. Foreign tax paid can be taken into account for purposes of the refund calculation, subject to the maximum refund not exceeding Malta tax paid.

5/7ths refund - This refund applies to passive interest or royalties that are not derived, directly or indirectly from a trade or business and where any foreign tax suffered thereon is less than 5%.

2/3rds refund - This refund applies in the case of most passive foreign income (allocated to the Foreign Income Account) on which double taxation is claimed. Foreign tax paid can be taken into account for purposes of the refund, subject to maximum refund not exceeding Malta tax paid.

100% refund/ Participation Exemption
 - Shares held by a Maltese company in another company, upon the satisfaction of certain requirements, may qualify as a "participating holding". Such qualification would entitle the shareholders of the Maltese company to claim a full refund on any tax paid upon any income or gains derived by the Maltese company from a participating holding or from the disposal of such holding and distributed to such shareholders. Alternatively, a Maltese company which qualifies for a participating holding can also claim a participation exemption, thus avoiding the need to pay any tax whatsoever on any income or gains derived by it from the participating holding or from the disposal of such holding.

Other relevant features of the Maltese tax system

Other aspects of the Maltese tax system, which render the Maltese tax environment an efficient one, include:

An extensive double tax treaty network spanning over 50 countries.

Even if there is no double taxation treaty in existence, unilateral relief and the flat rate foreign tax credit allow for relief from double taxation.

As an EU member state, Malta provides access to the Parent Subsidiary, Interest and Royalties and Mergers directives.

Malta generally does not levy withholding tax on outbound dividends, interests and royalties.

An exemption exists for transfers of shares in Maltese companies by non-residents, subject to the satisfaction of certain applicable conditions.

There is generally no capital duty on the issue of shares in Maltese companies and exemptions apply in respect of stamp duty on transfers of securities or by companies carrying on international business activities.

There are no specific transfer pricing, thin capitalisation or controlled foreign company rules ■

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Recruitment for your Gaming Business in Malta



By Angelo Vella - Director
Advisory Services Ltd.

In this article we shall be tackling a number of aspects relating to employment in Malta with a particular emphasis on recruitment for remote gaming operators.

A growing number of remote gaming operators licensed by the Malta Lotteries and Gaming Authority (LGA) have chosen to base their operations in Malta. The staff numbers they carry have experienced exponential growth since the industry started way back in 2000. It is estimated that the industry directly employs over 3,600 employees.

So what does employing staff in Malta entail? Are there any restrictions imposed by the Authorities? What obligations do employers have to abide by?

Recruiting for your business can be separated into three distinct categories; Malta residents; EU nationals and; Non-EU nationals. Each category brings with it different challenges and it would be useful to be aware of the issues they each bring, at the outset of your recruitment drive.

The authority which is responsible for employment in Malta is the Employment and Training Corporation (ETC). Every employee needs to have his employment registered with the ETC. This is done through a specific form which needs to be filled in by the Employer and the Employee at the commencement of the employment. For a Malta resident employment is relatively easy, however in the case of non-residents, an Employment License is required. The License which is valid for a maximum period of 1 year (and can be renewed for further periods) effectively licenses the individual to work in Malta. Whilst Employment Licenses for EU nationals are normally issued without problems, employers may find it difficult to obtain Employment Licenses for non EU nationals. In the latter case, the Employer needs to prove that the proposed employee has skills which are not available locally or within the EU. It is pertinent to mention that non-residents cannot work in Malta without the necessary Employment License, so it is suggested that prior to relocating persons to Malta such license is secured.

Another requirement for remote gaming operators is to have all employees approved by the LGA. The regulations here are more stringent, dictated by the sensitivity of the industry and the importance of being of high moral values and sound integrity. Amongst the documents that the LGA request when seeking Employee Approval (through a specially designed Form) is an up-to-date clean police conduct certificate. This requirement must not be

underestimated and it is suggested that any employment arrangements are made with this requirement in mind.

Prospective employers need to register and obtain what is referred to as a PE Number. This is the proof that you are registered as an employer and is used in all future correspondence and matters relating to employees with the responsible authorities. Employees engaged in duties in Malta will be subject to local taxes and pension contributions (referred to as Social Security Contributions). Social Security Contributions provide an added cost to operators as Employers contribute in the same way as Employees. The standard rate is 10% of gross salary, with a maximum of around €3 per week. Malta embraces the Final Settlement System for the settlement of employee income taxes and social security contribution. Settlement is done on a monthly basis to the Inland Revenue Department.

Finally, it is worth mentioning a Survey which the Malta Remote Gaming Council commissions annually on the Staff Status and Salaries for the remote gaming industry in Malta. The Survey, now in its third year is a tool for industry operators in assessing the state of affairs of the sector in terms of employment and salary levels for a wide range of positions ■

Cultural Alignment with the Remote Gaming Community



By Albert Zerafa -
Gateway Business Manager
Vodafone Malta Ltd.

To-day, for most companies, access to the web is a core service without which the whole organisation cannot function. This is the case for I-gaming operators, call centres and many others.

The I-gaming industry requires a number of core services to enable it to grow. One of these is secure and reliable links to the internet cloud to pass data traffic. It is a main driver and a crucial one without which there would be no gaming industry in Malta.

But apart from this, an I-gaming organisation requires a partner it can trust and who provides a full suite of other added value services. Most of these are intangible and not specifically mentioned in any offer but have to be part and parcel of any service offering.

Elements like Commitment, Support, Defined quality of service, Availability and People are a set of added values that can make the experience of the I-gaming operator so much smoother and allow him to concentrate on his core business.

In the gaming industry, loss of international access, results in major direct and indirect losses. The service provider needs to be well positioned to service the gaming industry. This is achieved by having extensive knowledge and experience of the operational demands requested by such operators.

It is important for the employees of the service provider to understand what the customer's needs are and how critical his operation is for his success. Similarly, they

need to be committed to the customer's success and driven to provide the best customer experience.

In an ever increasing competitive market, the choice of service provider is of the essence for successful operations.

If the systems of the service provider fail, customer disgruntlement will affect the revenue of the gaming operator and competition will gain.

There needs to be an organisational cultural alignment between the service provider and a gaming operator for the purpose of offering the best playing experience to the final client.

The coherence along this value chain leads to a more successful operation, provides peace of mind to the I-gaming operator and allows him to focus on his core business ■



IT Outsourcing: A growing trend

By Keith Fearne - Managing Director
ICT Solutions

As operations in all aspects of business become more dependent on IT, top managers are finding it more and more difficult to implement effective internal IT operations. The range and breadth of expertise and competence required to manage well an IT set-up today, imply that even small companies need to employ a team of professionals, who very often come at a high price. It is then not easy to keep these employees on board for a long time, and they usually become a risk in that they have a lot of knowledge which the company cannot afford to lose.

Larger companies have for a long-time got around this by outsourcing their IT operations. The out sourcing arrangements are usually defined by a set of operational service levels, which ensure an agreed quality of service within defined response times. The outsourcing arrangements usually go beyond simple support but cover all aspects of IT Service Management and operations, including desktop and server management, IT policies and procedures, IT security management, backup and disaster recovery plans, change management and IT governance.

Outsourcing has traditionally been attractive as it allows businesses to focus on their core

competencies, whilst letting others manage areas which require specific expertise. But IT outsourcing is also seen as a way to reduce the risks, which dependence on IT has created in every going concern. And this has resulted in smaller companies starting to move in this direction too, as they realise that they cannot make the business case for employing a team of internal IT professionals required to successfully manage their IT operation.

The key to a successful outsourced operation is making sure you choose the right partner. One of the key aspects to consider is the size of the partner operation. Very small set-ups with limited financial capabilities may be too risky, but large corporate set-ups employing hundreds of people are usually too big to provide effective services to smaller businesses. One needs to ensure that the required personnel having the required competencies, are available within the partner organisation, and that they have the required certifications in the relevant technologies. But perhaps more importantly is that the partner has experience in running similar operations, as getting the operational aspects of outsourcing right is perhaps the most difficult element for any outsourcing partner.

Outsourcing has traditionally been attractive as it allows businesses to focus on their core

In making the choice of partner it is most important for businesses to choose someone they can trust and feel comfortable with. They will be letting this partner into their company, giving them access to systems and data, and need to have a frank and honest relationship with them. If the relationship is effective, and for the business to gain most from the relationship, the agreement needs to also include a good degree of strategic input from the partner to ensure that all technology plans and roadmaps are in line with the business requirements of the company.

As outsourcing grows, businesses will also need to tune their internal processes and procurement practices to ensure that they are also catering for this shift in the way of doing business internally. Having the proper internal set-up for managing outsourced contracts is another critical success factor for these sort of relationships to succeed.

IT outsourcing has been a main activity of businesses in all sorts of industries in Europe for many years. Like the rest of commercial developments, Malta usually takes some years to catch up. It's clear that over the next few years this will be an area which will also be developed to its full potential ■

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international hubs for the
iGaming industry.**



By Benji Psalia - Letting Manager
Dhalia

Gibraltar, Alderney and the Isle of Man are all popular jurisdiction in Europe for licensing of remote gaming operations. Yet, hundreds of gaming companies have looked to the tiny island of Malta as the place to set up their offices to the extent that the sun-drenched island hosts over 10% of the world's online gaming companies. Malta has successfully established itself as a leading remote gaming jurisdiction for many reasons, not least the complete overhaul of the gaming legislation in the country, its strategic position in the Mediterranean, excellent telecommunication services, IT infrastructure and international flight connections, and the fact that it is a full EU member state. Moreover, Malta is geared towards sustaining this industry's growth from step 1 of any relocation: Finding an office.

Renting offices in Malta is a relatively simple procedure and within 2 days offices can be secured and ready for setting up. Supply of office space in prime business areas in Malta is constantly on the increase with a number of major modern developments currently in various stages of completion, including



Portomaso Tower, Skyparks, Regent House, Pender Gardens and Marina Business Centre. Demand, however, is equally high and the most sought after offices are quickly snatched off the market. When relocating, it is therefore essential to contact a reputable estate agent on the island that can provide the right advice, ensure that offices are fully licensed, and point your business to the best location. After all, real estate is all about Location, Location, Location!

Office location is very important. Companies relocating to Malta know exactly what services they require and know that it pays off to be in the centre of all the action. What they don't know is how to get an office which is close enough to other companies, central and easily reachable. The importance of an office's location goes beyond the work and the business themselves. Many gaming businesses employ a mixture of local and foreign employees who enjoy the industry's work pace and the lifestyle it allows them. Many of these want to live within walking or easily commutable distance of their place of work, and also close to cafés, restaurants, bookstores,

grocery stores, malls and so on. Upon considering this, the importance of where an office is located takes on a completely new dimension... because there is more to work than the work itself! A good estate agent can get you settled in prime areas like Sliema, St Julians, Gzira or Ta' Xbiex.

Your estate agent in Malta can help you secure not only the office you want but more importantly the office you need, guiding you as regards prices and what to expect for the money paid. Your estate agent can tell you, for example, that average office prices in Malta start at €40 per square metre per year, whereas luxury offices would cost around €50 per square metre per year. Offices are normally built around an open plan structure and are provided, generally, unfurnished but finished to include air-conditioning, lighting, network points, kitchenettes and bathrooms. Maltese estate agents know their industry like they know their own desk drawers and can lead to the perfect office for a perfect start to your relocation to Malta ■



By **Jeffrey Buttigieg** - Director
RE/MAX Malta

Standards of Residential and Commercial Property to Let in Malta

Several established real estate companies have been servicing the iGaming Industry since its infancy in Malta. The experience that they have gained over the years from relocating small, medium to large iGaming companies is unrivalled by any competitor.

Most of these companies started their business before the iGaming boom in Malta and now have become fully equipped relocation companies specialising in the services of letting of residential and commercial office space to employees and executives alike.

The iGaming Community has changed the letting Industry in Malta drastically over the years. Real Estate companies that never employed a full letting service developed new teams of letting agents to cope with the demand. The demand from

the community also impacted the quality of the typical residential property to let that was available at the time. Where most properties available were furnished with the landlords second hand furniture used in their previous homes, these landlords had to upgrade their furniture to a more modern up-to-date style if they wanted to rent their property. At one point in 2005, the demand for residential property to let outweighed the supply which encouraged property investors to buy property to let specifically for the iGaming Sector.

Commercial office space has also seen a major improvement over the years. The iGaming sector, along with a couple of other industries created the demand for open-plan modern office buildings. With the likes of some of the larger gaming companies that were relocating to Malta, offices with over a thousand square meters that were

unheard of at the time, were required and were required fast or else it would have been impossible for these companies to come to Malta. Indeed, this demand was met as property investors in Malta were further encouraged to build state of the art office space.

Today, Malta is acknowledged as one of the leading jurisdictions for gaming and not only has developed its commercial and residential real estate standards to one of the highest available in Europe, the country is constantly improving across the board.

Anybody relocating to Malta can be assured that level of service provided is also very high, though it is recommended that anyone considering a move to Malta should contact a reputable real estate agent that will be in a position to professionally guide you through the process of your relocation ■



By **Mario Galea** - Managing Director
Random Consultancy



By **Mario Galea** - Managing Director
Random Consultancy

Reshaping the online Gaming Industry

Malta's Position in the Future

Suddenly all the world wants to regularize online gaming. Hardly a day goes by without hearing that some jurisdiction is at some stage of considering, discussing or in the process of formulating its online gaming policy.

Since 2000 Malta's gaming industry has been constantly growing; its success is largely attributed to the implementation of a credible yet practical regulation policy, it has always been responsive to operators' needs and to a lack of similar regulatory frameworks elsewhere. But what will attract operators, in the future, to establish or continue to be licensed out of Malta when many major markets regulate online gaming?

The answer depends on several factors but regulated markets are creating new business models that may have a positive effect on Malta's gaming industry.

Many gaming operators are now offering their services either directly to consumers or to other operators. Eventually a mature industry shall have:

- B2C operators operating within a single regulated market;
- B2C operators operating on a global scale with several national gaming licenses;

- B2C operators who will continue to believe in the principles of a single European market; and

- B2B operators that will serve all of the above.

B2C operators with multiple national licenses and B2B operators offering their services to their business customers licensed in highly regulated markets will continue to find Malta an excellent location where to centralize their operations.

New Regulatory compliance at different national levels is having a significant effect on online gaming operators:

- Higher operational costs due to license fees, gaming taxes and overheads to implement different regulatory compliance requirements in various states; and
- Organizational restructuring to segregate functions caused by the separation of players and restriction of products.

The chart below shows the value chain for gross gaming revenue (GGR) when Malta entered the online gaming fray in 2000, the current situation and how it could redistribute again in the coming years. →



“The future will still reserve a very attractive proposition for the local Industry.”

← It is clear that the operator's share of GGR diminishes in a regulated gaming market as new stakeholders enter into the value chain, or existing ones gain more value. Operators can do little to improve their share of GGR, which means that they have to look at all internal factors affecting the business. Additionally, the separation of game management functions from player management functions as mandated by market regulators, can result in the centralization of those activities that do not require scrutiny. The combination of the above factors will see Malta benefit.

Most of the functions carried out by an online gaming operations are tightly bound to the underlying gaming system. The technology architectures used so far for online gaming have been implemented as a monolithic stack of functions. Now this stack has to be separated with the upper layers moving closer to the player. These must be available at country level to comply with the jurisdiction's specific legal parameters. But many country level systems can then be connected to a single management system. This means that the bottom layers of the stack can be moved closer to where operations are located.

Malta is an excellent jurisdiction to locate the management system and operations. Malta can help operators lower their

costs and achieve high quality services in terms of having their technology based in Malta and taking advantage of the high availability of skilled resources, leveraging on gaming management experience which is unparalleled worldwide.

Over the past ten years the country has built a highly skilled workforce in online gaming as well as a services industry that supports the industry. Some of Malta's critical success factors to operators include the following:

- An EU member state means being regulated in a country which is fully compliant with EU Laws and the principles of the EU Treaties, whilst also being part of the EURO Zone which in itself results in lower costs of currency processing fees;
- Agreements with non-EU operators to conduct online gaming jointly. This can bring substantial benefits vis-a-vis Value Added Tax treatments when offering products and services within the European Union.
- A robust and resilient financial services industry, coupled with a tax efficient regime.
- A unique model of licensing Business to Business models, which not only see the approval of gaming platforms, but more importantly, see a tight regulatory

overview, which undoubtedly could well be of utmost benefits for Business to Consumer operators in Europe and beyond.

As more countries enable and regulate online gaming, the industry will reach maturity and will stabilize. It will be up to the local stakeholders to ensure that Malta does not lose its potential, as a prime location for the industry. Initially, the primary incentive to locate online gaming in Malta was a specialist regulation. As we progress into the future, in order to exploit economic growth it is important to bring in other generalist regulations that incentivize online gaming operators to exploit further Malta's potential. Government and the Lotteries and Gaming Authority are leaving no stone unturned in this regard, and should these stakeholders work swiftly in tune with the speed of developments in the Industry, the future will still reserve a very attractive proposition for the local Industry ■



By **Godwin Zerafa** - Principal Statistician
National Statistics Office

Drawing the right numbers from the remote gaming industry

Over the past six years, the National Statistics Office (NSO) has been responsible for surveying, collecting and extracting important statistical information on the remote gaming industry in Malta. This exercise, as the gaming entities themselves know, has been carried out through a clearly-guided quarterly and annual survey of all entities that were licensed by the Lotteries and Gaming Authority to conduct remote gaming business on our islands.

Getting the right numbers that reflect the true activity of this thriving industry is, to say the least, important for both the NSO as well as the Maltese economy. Since the first remote gaming companies began to establish their operations in Malta, the Balance of Payments (BoP) Unit within the NSO has been entrusted with the responsibility of collecting, aggregating and compiling the necessary statistical information on this important industry. In fact, as afore-mentioned, the BoP Unit conducts a quarterly and annual survey among all remote gaming entities in order to collect relevant data that will satisfy both its own statistical requirements as

well as the needs of other units within the same Office. And, needless to say, this is consciously carried out in a manner that eases as much as possible the response burden on the respondent without compromising the quality of the collected data.

Notwithstanding this, however, the reliability factor of the collected statistics is just one facet of the whole exercise that the NSO is obliged to ensure. Indeed, it is crucial that respondents not only comply with the request for statistical data but also adhere to the deadlines indicated by the Office for the submission of the same data. Clearly, sticking to the time frames would facilitate the entire statistical process that ends with the aggregation, compilation and publication of the information with other statistics collected from similarly-surveyed industries operating in Malta. Timeliness is, in fact, a critical element that should be acknowledged and respected by all the respondents that are included in the survey.

Evidently, there are legal repercussions for those entities that refuse or fail to provide the requested data. Indeed,

the NSO forewarns the respondent in its correspondence that it may impose administrative penalties and fines, as stipulated in the Malta Statistics Authority Act, on any entity that fails or refuses to provide the requested statistical data and/or fails to respect the indicated deadline for the submission of the data. In general, however, the NSO makes use of such measures as a last resort and after having exhausted all attempts (including sending repeated reminders) to persuade the non-respondents to deliver what is expected and necessary for statistics compilation purposes. At the end, it is clear that the NSO is interested solely in getting accurate and timely statistics that provide a true and comparable picture of the economic and financial activity of the Maltese economy both within as well as outside its national borders. Like any other venture, however, without the genuine cooperation of all, this objective would not only be unattainable but, worse than this, it would become an unsafe tool that could lead the many statistics users (including the gaming companies themselves) to take the wrong measures based on inaccurate and misleading information ■



Malta: A stable investment destination

An island nation in the middle of the Mediterranean Sea, Malta's size and natural barriers were in the past considered a stumbling block in its growth process. The country has, however, looked ahead and adopted a vision to become a centre of excellence.

Malta has not only improved its air and sea connections - becoming a gateway to the neighbouring European Union, North Africa and the Middle East - but thanks to an excellent communications infrastructure it is now connected to the global village.

Indeed, a study published by Oxford University in late 2010 ranks Malta sixth in the world when it comes to broadband quality, which is available in over 95 per cent of the national territory and is a major pull-factor for investment from gaming companies as well as call-centres and back office support operations.

Infrastructure continues to improve, and projects such as SmartCity Malta - a self-sustained township providing space for the ICT and media sectors based on a similar project in Dubai - shall be providing more space for this growing industry as it gradually comes to life.

Malta's competitiveness as a business centre has remained intact even in the midst of the international crisis, with Malta attracting foreign investment exceeding €100million in the past two years.

While this may sound little, the figure assumes totally different proportions when one considers that Malta is the smallest member state in the European Union and only has a population of around 400,000.

Despite being small in number, Malta's people are its major resource, with the highly-skilled, efficient and bilingual



workforce contributing significantly to the growth of business, with many investors undertaking expansion projects - evidence of continued trust and confidence in their successful operations in Malta.

The country also offers a number of incentives and wide-ranging assistance to encourage investment, such as tax credits on capital investment, access to finance, assistance for training of the workforce, as well as other schemes to encourage R&D, innovation and competitiveness.

Moreover, Malta's tax system, coupled with the extensive network of double taxation treaties, offers significant fiscal efficiency to Maltese companies ■



iGaming: Malta's winning bet



By **Gege Gatt** - Founder and Director
Icon Studios

Years ago, the Maltese government embarked on an ambitious journey to position the island at the centre of the international ICT scene. Today, this dream is fast becoming a reality as the nation fully embraces e-revolution.

Despite its small size, Malta boasts high social media figures: the Maltese are currently amongst some of the most active social network users in Europe, with Facebook users alone standing at a rate higher than the European average of 35%. Moreover Malta offers a fantastic base to run targeted social media exercises which are so necessary to support the operations of any iGaming firm. The ratio of ICT specialists in Malta is also above European average, and with a continuous investment into the tertiary education directed towards producing a highly skilled IT workforce locally, the figures are rising steadily.

In true spirit of innovation, the government has laid the all-important foundations for e-business to prosper, including virtually transforming the island's IT infrastructure and creating a state-of-the-art telecommunications framework. This factor has played a crucial role in attracting a significant amount of foreign investment – in particular, from iGaming operators. iGaming has in recent years become one of Malta's most active e-commerce sectors, and one of the key revenue sources for the local economy. Thanks to the recent IT developments combined with the island's effective gaming laws, there are now more than 300 remote gaming companies operating in Malta directly employing over 3,600 people, and further foreign investment is expected over the next few years. With such strong international players on board and thriving, Malta is well on the way to becoming Europe's prime ICT destination ■

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Capstone Group is a multi-disciplinary firm with a clear understanding of the relevant legislative and regulatory framework required for remote gaming set ups. The firm also provides audit and assurance services to its portfolio of local and international clients operating across diverse industry sectors as well as international taxation, accounting and business advisory services. Our ethos is to provide our clients with a timely, highly personalised, focused and above all practical advice at all time.

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Contact Advisory Services is a company specialised in remote gaming offering professional, across-the-board consultancy services in Malta. Contact Advisory Services synergises a team of key professionals with decades of experience in Information Systems Advisory, IT Audit and Assurance and Corporate services. The company offers a number of be-spoke services ranging from Remote Gaming Consulting & Compliance, Corporate Services, Fiduciary Services, Back Office support, Key Official Services, Assurance Services, Management Consultancy, PCI DSS Certification & Consultancy, Information Systems Audit & Assurance, Internal Audit, Information Security Services, and Data Protection services. Contact Advisory Services comprises Kyte Consultants Ltd to offer its clients a wholly focused alternative for Information Systems Audit & Assurance, Compliance and IS Security Services; and Gaming Consulting Ltd to offer tailor-made corporate services to the remote gaming industry.

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CSB Group – Smarter Business Starts Here ®

CSB Group (est. 1987) provides its clients with a spectrum of specialised business and commercial services including: licensing of iGaming and eCommerce consultancy; incorporation and re-domiciliation of Maltese companies; company, secretarial, directorship and management; accounting and payroll services; tax structuring and administration; trustee and fiduciary services; bank accounts and online payment solutions; regulatory and business consultancy; managed office space; commercial and residential property; residence and work permits; and executive recruitment and HR consultancy. Through CSB Group's associated law firm, Zammit & Associates – Advocates provides an array of legal services with particular focus on the areas of Corporate law; Finance; Financial Services; Trusts and Estate Planning; Shipping; Yachting; Aviation; Technology; Media & Telecommunications (TMT); iGaming; Competition / Antitrust Regulations; Intellectual Property; Employment and Industrial Relations; Real Estate; Litigation & Arbitration; and Insolvency.

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e-Management e-Gaming Corporate Solutions

e-Management is a dedicated business division of HBM Group (est. 1991), with offices in reputable regulated Online Gaming Jurisdictions worldwide. We are a leading specialized turnkey provider of Business Support & Corporate Services to the Online Gaming Industry. As a professional, client oriented service provider of fiduciary services, we focus on establishing and managing internationally engaged e-Gaming Companies based out of Curacao and Malta. With more than a decade of experience in assisting major software providers and operators with their corporate and licensing requirements in both Curacao and Malta, e-Management/HBM Group was amongst the first Corporate Services Providers in 1997 to enter the Online Gaming Industry. e-Management offers innovative services by assisting all e-Gaming (related) businesses to efficiently and effectively structure their enterprise in an ever changing and challenging business environment without borders.

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Focus Business Services is an international corporate and financial service provider with fully-fledged offices in Malta, Cyprus, Greece and the Seychelles. Our group comprises a team of qualified professionals, which includes lawyers, IT specialists, accountants, a regulated audit firm, a licensed trust company and an international tax consultancy. We pride ourselves at providing a seamless one-stop shop to clients and are firmly committed to ensuring the highest level of integrity and competence to accommodate our clients' needs, at competitive pricing.

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Based in Malta and specialised in the provision of iGaming services, EMD provides clients with assistance in acquiring Remote Gaming Licences, regulatory and legal advice, legal and technical compliance with licence conditions, the selection and implementation of systems (software, hardware, networks and telecommunications), ICT technical support and software development services, assistance in identifying co-location and payment solutions services. Key Official services, drafting and revision of documentation, tax consultancy and accounting, company formation and ancillary services. EMD's client portfolio comprises some of the world's major players in the industry. You can meet our iGaming consultants for a preliminary legal, technical and financial advice during the major international gaming exhibitions.

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KayEm consulting

KayEm Consulting Limited is a reputable local firm of accountants, auditors and consultants with a background of gaming from a financial, regulatory and compliance perspective. The specific design and organisational structure of the firm allows it to understand the requirements of its clients in more focused manner. Services offered include company incorporations, remote gaming licensing, business plans, secretarial services, back office services, accounting, audit & assurance and tax consultancy.

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Fenech & Fenech ADVOCATES MALTA

Fenech & Fenech Advocates is a multi-disciplinary law firm, established in 1891 which manages to balance a forward-looking dynamic task force, based on tradition and excellence. As one of the larger law firms in Malta, we offer a wide spectrum of services with a large local and international practice. Over the years the Firm has evolved from a traditional law firm to one that has sought to constantly evolve and keep up with the times. Changes in technology and communication systems have increased demands on all service providers and created new opportunities. The firm has always sought to be at the forefront of these changes and thus invests heavily in technology and training of its professional team and administrative staff. Fenech & Fenech Advocates is Malta's leading shipping law firm, with four separate and distinct departments dedicated to shipping - marine litigation, ship registration, ship finance, and yachting. In addition, Fenech & Fenech has an impressive International Practice dealing with all corporate and commercial issues, mergers and acquisitions, financial services, banking, trusts and foundations. Our tax department is one of the oldest and most experienced on the island. We have also successfully set up practices in aviation law, ICT, iGaming, and eCommerce, foundations, intellectual property law and art law.

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MAMO TCV A D V O C A T E S

We are a Maltese Law Firm specialising in the complex area of Gaming Law. Our size and organisational structure allows us to react swiftly to changing situations and to provide the highest standard of quality service to our clients. We are confident that given our expertise and proven track record, our Gaming Unit will professionally assist and advise you in all aspects of Gaming Law including licence procurement, compliance, operations, corporate law, banking, international tax and intellectual property. Our commitment is to provide you with the tailor-made service you require.

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RSM Malta
Certified Public Accountants

RSM Malta is a multi-disciplinary firm with a proven track record in the gaming industry. Our organisational set up is such that enables us to provide swift and efficient response to client needs.

RSM Malta employs various specialists to provide the following services: licensing assistance, preparation of business plans, tax planning and compliance, company formation, accounting, key official support, business and IT advisory and audit.

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Mediterranean Bank Plc has been a fully licensed Maltese credit institution since 2005. Regulated by the Malta Financial Services Authority, we are a specialist bank focusing on wealth management, savings and investments, for both Corporate and Individual customers. The Corporate Banking team is a specialised unit capable of assisting entities from account opening to ongoing relationship management requirements. We are able to handle accounts for corporates registered in Malta or in reputable overseas jurisdictions. A one-stop shop service is provided to ensure that our customers' needs are understood and professionally catered for. Your next step talk to us.

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TANTI-DOUGALL & ASSOCIATES
Advocates

Tanti-Dougall & Associates, Advocates, a young, multi-disciplinary Law Firm founded in Valletta providing legal, consultancy, tax advice and regulatory assistance to gaming companies. Our team of professionals can guide you throughout the licensing process including preparation of all necessary documentation, company incorporation, structuring and maintenance, corporate services including Directorship and Company Secretary services, compliance with local fiscal authorities, employment registration and payroll services and other ancillary support services. In addition our firm also offers Intellectual Property protection as well as fiduciary and trust services.

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randomconsulting

Random Consulting is a management consulting company specializing in commercial gaming and online gaming industries. Through a combination of regulatory, strategic and operational experience in various gaming sectors, our team members are able to offer high quality expertise in a cost effective way. We deliver pragmatic solutions tailored to our clients' needs. We provide services to set up online gaming companies in Malta. We assist our clients in the acquisition of remote gaming licenses, company formation, recruitment and consulting on various aspects of gaming.

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W&D was founded in 1994 as an entrepreneurial firm and continues to grow as one. Our business has gradually expanded from the services of accounting and tax consultancy provided by a qualified practitioner, to a multi-disciplinary business advisory firm. W&D expanded from strength to strength offering a wide range of services to both local and foreign clients. Today, W&D boasts of a successful healthy client portfolio spread over a broad range of industries from owner-managed and family businesses, companies, firms, international players, together with high net worth individuals. It is our aim to provide a tailor-made service throughout, dedicating our energy to turn our clients' business dreams into a successful reality. We have the knowhow and practical experience to guide clients to take advantage of all the benefits Malta has to offer.

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WH Law is a multi-disciplinary niche 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 Law include remote gaming licensing and compliance, e-commerce compliance, key official services, company incorporation and maintenance, corporate restructuring, contract drafting and negotiation, intellectual property protection, advice on EU cross-border trade matters, strategic consultancy, regulatory risk assessment, technical advice on high-performance systems, security and search engine optimisation.

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Zammit & Associates - Advocates is committed to providing its clients with smart and effective legal solutions, based on detailed legal analysis and carefully-considered courses of action. This commitment, combined with pragmatism, efficiency and pro-active thinking, has earned the firm the solid reputation that its clients have come to rely on for all their legal requirements in Malta. The firm is active in the areas of Corporate Law; Finance; Financial Services; Trusts and Estate Planning; Tax; Shipping; Yachting; Aviation; Technology; Media & Telecommunications (TMT); iGaming; Competition; Intellectual Property; Employment and Industrial Relations; Real Estate; Litigation & Arbitration; and Insolvency. Zammit & Associates is the associate law firm of CSB Group.

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RECUITMENT AND OTHER AUXILIARY SERVICES



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Pentasia is the premier confidential recruitment and career consultancy for the Remote Gaming and IT industries. Founded in 2001, we have developed an unrivalled reputation for delivery and a network of regional offices that spans the globe. Pentasia's southern European office was established in Malta in January 2006 is now the largest recruitment consultancy on the island. From our headquarters in Santa Venera, our Consultative Team works with a range of iGaming clients based in Malta as well as across the Mediterranean.

Pentasia Malta Home Space Buildings, 122a, Unit 1, Quarries Street, St. Venera, SVR 1755
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REED iGaming offers a global reach as a REED Specialist Recruitment franchise enabling us to transfer talent across and within borders, HR consultancy and training, confidential advice on other services (e.g financial, legal, licensing, relocation), dedicated iGaming recruitment websites and information portals, assessment Centre and psychometrics, salary Surveys, employee climate surveys. REED iGaming are experienced consultants (since the late 1990s) recruiting for all iGaming roles.

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BMIT is Malta's leading provider of hosting and co-location services for Internet and data services, providing reliable and secure facilities to a wide range of customers requiring data centre and communication related services. Established in 1997 BMIT is present in cities across Europe as a leading co-location service provider and is partner of choice for iGaming solutions. BMIT's customers benefit from geo-neutral co-location and associated services through a one-stop shop arrangement.

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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 co-location facility serving the ever growing iGaming businesses which are licensed in Malta.

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Dhalia was founded in Malta in 1983 and is the largest privately-owned real estate agency that specializes in sought after property throughout the islands of Malta and Gozo. The organisation currently has a branch network which incorporates 10 residential offices, a letting office and a commercial office around Malta and Gozo supported by over 80 experienced managers and property consultants.

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The Regus Group is the world's largest provider of outsourced workplaces solutions. Through its unique network of 1000 business centres in 450 cities and 75 countries and with its large range of products and services from fully equipped offices to professional meeting and training rooms, business lounges and the largest network of videoconferencing studios. Fully furnished and equipped, the business centres also provide clients with Regus' wide range of services including high-speed Internet access, digital telephone service and on-site administrative support. Regus was founded in Brussels, Belgium in 1989, is headquartered in Luxembourg and listed on the London Stock Exchange. For more information please visit: www.reglas.com/malta

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Real Estate



RE/MAX Malta has been built on a strong foundation of a highly experienced management team, franchisees, partners as well as professionally educated property sales and letting Sales Associates. The company has eleven strategically located offices covering Malta & Gozo. Each office is linked to the largest state of the art database, ensuring customers that they are always in a position to propose a very comprehensive and broad selection of what the property market has to offer for sale or to let in Malta & Gozo. RE/MAX Malta was awarded the prestigious 'Best Real Estate Agency in Malta' International Property Award for the last two years in 2008 and 2009 respectively.

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Events



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System & Integrators



ICT Solutions is a leading systems integrator in Malta. It is best at understanding the different business needs of corporate customers, and in then integrating IT and communications technologies to offer real solutions to these needs. The quality and commitment of the ICT team is the company's main strength and ensures that the company always DELIVERS to customer expectations. Driven by customer success, this team is built around the values of leadership and involvement at all levels. ICT Solution is a certified partner for HP, Oracle, SUN Microsystems, RedHat, VMware, Citrix, CISCO and Microsoft.

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Web: www.ictolutions.com.mt Skype: ict_solutions

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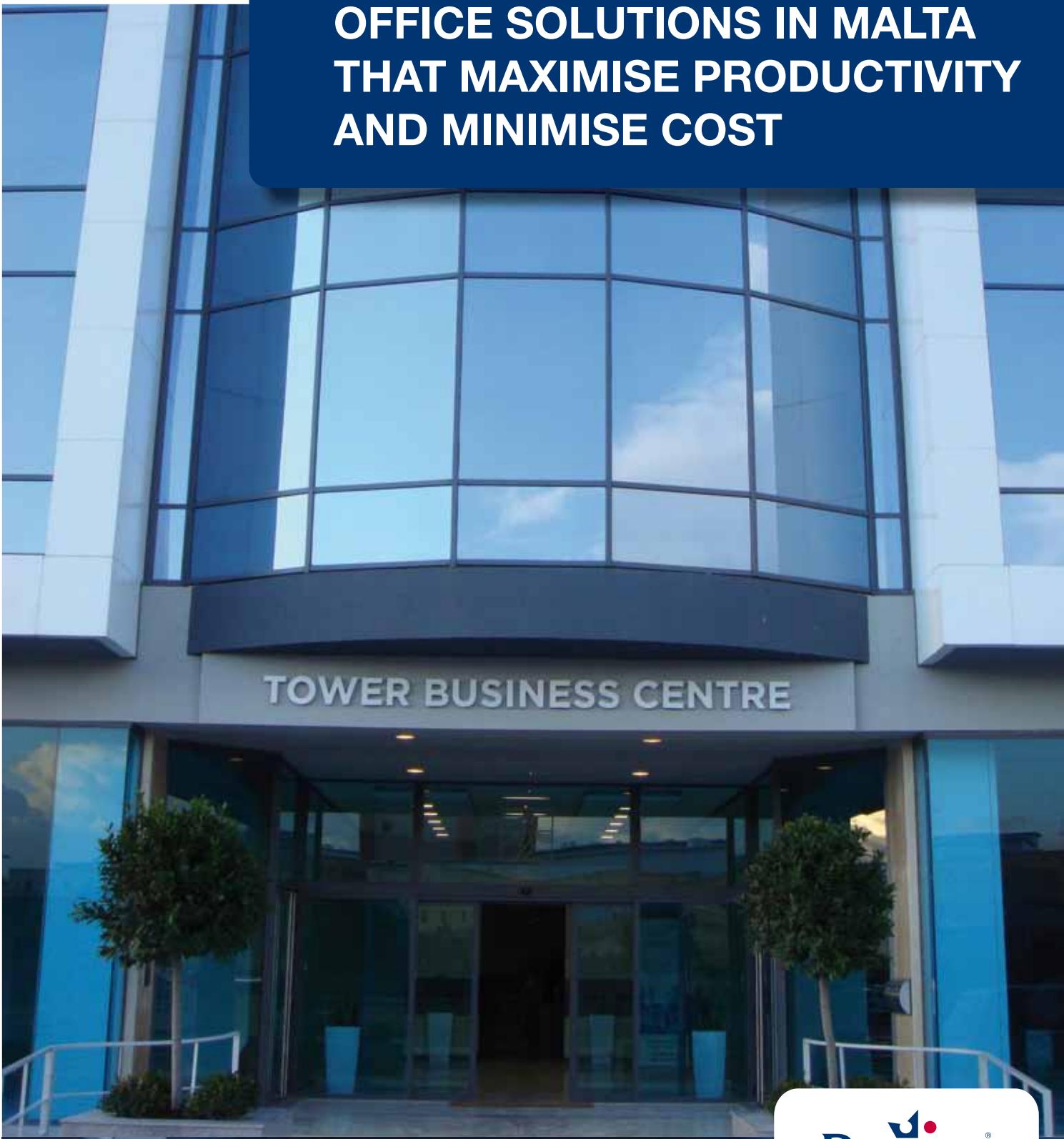
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