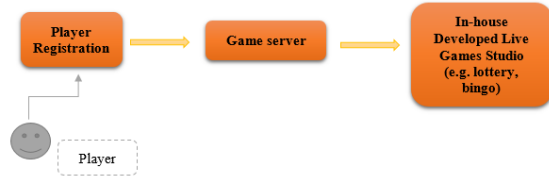
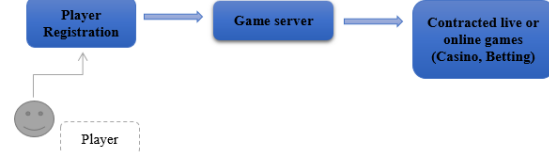
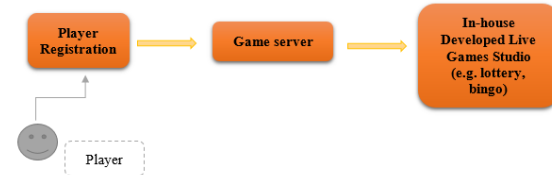
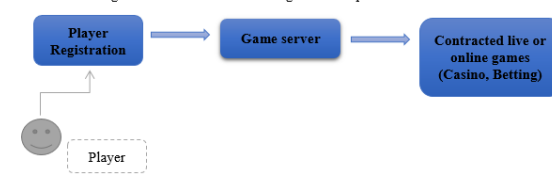


FSA'S RESPONSE FOR THE WHITE PAPER FOR INDUSTRY CONSULTATION – PROPOSAL TO INTRODUCE INTERACTIVE GAMBLING

<i>Page #</i>	<i>Proposal</i>	<i>Industry's Comments</i>	<i>FSA's Comment's</i>
4	Title: Licence to be issued for interactive gambling	Should one fee of SCr1Mn and you can have both types- perhaps we might want a mix since we cannot develop much of our own. This is the norm	<p>There are 2 types of licences to be issued for interactive gaming. Each of the license will amount to SCR 1,000,000 respectively.</p> <p>The operator will have the option to either choose:</p> <ol style="list-style-type: none"> 1. Interactive Gambling Operator licence – Type 1; or 2. Interactive Gambliig Operator licence – Type 2 <p>Nonetheless, this will not prevent an investor to opt for both licences. As a result, the investor will have to submit SCR 2,000,000.</p>
4	<p>Licence for both Type 1 and Type 2 will be applicable for the following activities but not limited to:</p> <ol style="list-style-type: none"> i. Lottery games (Live studio); ii. Casino games; iii. Live dealers; iv. Bingo games; and v. Betting games; 	There is no mention in the licensing of sports betting being covered under interactive gaming, this was an issue previously as 'sports betting licence' issued by the SLA was required and separate from on line gaming	<p>"Sports betting", provided that the activity is being conducted electronically it will be covered within the ambit of betting games.</p> <p>Moreover, though there is a list of activities provided, it also has a clause that will not limit the types of games. This will allow the opportunity for new possible type of games, which has been covered.</p>

5	<p>Presently, license issued under interactive licence is SCR 50, 000. Considering the change in the gambling environment and the nature of this activity, the proposed revised fees will be as per the table below;</p> <table><tr><th colspan="2">1</th><th>2</th></tr><tr><td colspan="2">(a)</td><td></td></tr><tr><td>(i)</td><td>Interactive Gambling Operator type 1 license</td><td>SCR 1,000,000</td></tr><tr><td>(ii)</td><td>Interactive Gambling Operator type 2 licence</td><td>SCR 1,000,000</td></tr></table>	1		2	(a)			(i)	Interactive Gambling Operator type 1 license	SCR 1,000,000	(ii)	Interactive Gambling Operator type 2 licence	SCR 1,000,000	<p>License of SR1 000 000 is very high considering the initial investment in the requisite infrastructure required which creates a barrier to entry as well as the size of the local market.</p>	<p>The fees reflects the risk associated with such activity, including the resources to be able to regulate the activity, comparatively with other Small Island States and other jurisdictions.</p> <p>The fees being proposed does not mean to deter investors, but to ensure serious actors, similar to other license under the Seychelles Gambling Act.</p>
1		2													
(a)															
(i)	Interactive Gambling Operator type 1 license	SCR 1,000,000													
(ii)	Interactive Gambling Operator type 2 licence	SCR 1,000,000													
5	<p>Provided the approval of the Authority, the gaming server may be hosted outside of Seychelles. Nonetheless, the licensee shall and be able ensure that it maintain at a minimum mirrored servers in Seychelles. The exception remains for the player’s registration server that must be maintained in Seychelles.</p>	<p>With such costs with the second type it is difficult to do that since interactive will be communicating with software provider- often they would not like their copy right products to be kept remote. I believe this should be optional. Also in order to maintain such and for security purposes it is best use international standard hosting providers. After all this is the purpose of calling it interactive! What is the real purpose of local mirror server?</p>	<p>Local mirror servers will facilitate for the following reasons:</p> <ol style="list-style-type: none">1. Supervision: It will allow the FSA staff and other relevant authorities (if required) to monitor and regulated effectivley the activities and conduct of the licensees games.2. Consumer Protection: Gambling is amongst the category of activity, that has not been disreagrded for consumer protection. Notable, since there is the aspect of money coming in and going out, it is important to have all the necessary access to conduct the inspection(s) based in Seychelles.3. Ease of access: The FSA endeavours to recieves the real-time data.												
	4.6 Financial Soundness and capital adequacy	<p>The authority should facilitate local investment rather than erecting barriers. Moreover, reputable companies already</p>	<p>Interactive Gambling Licence, will be a separate licence from the Casino/Slot Machine</p>												

5	<p>To provide proof of financial soundness and capital adequacy upon application and for its operations of gambling activities. These shall include</p> <ul style="list-style-type: none"> a) Paid-up capital shall be is monies to meet liabilities in the eventuality of bankruptcy. b) Reserve requirement shall be monies strictly for payout obligations. c) Revolving fund for administrative expenses. <p>All the above are required to be kept in a bank account in Seychelles</p>	<p>operating in the sector should be granted special consideration, allowing them to utilize their existing operations and capital as part of their capital adequacy requirements. Their reputation should provide further support if they intend to expand their current gaming business.</p>	<p>Licence, i.e. it will be a new category on its own.</p> <p>As such, the requirements will be applicable for the Interactive Gambling Licence only and not the existing operation (if applicable). Hence, it is a prerequisites that these are met as part of the Interactive Gambling Licence application process.</p> <p>Furthermore, paid-up capital, reserve requirement should be separate with the exception of administrative expenses which can be considered to be together with the existing account for administrative expenses.</p>
7	<p>An increase in application fee from SCR 50,000 to SCR 100,000</p> <p>Introduction of annual license fees –</p> <ul style="list-style-type: none"> • Interactive Gambling Operator licence – Type 1 - SCR 1,000,000 • Interactive Gambling Operator licence – Type 2 – SCR 1,000,000 	<p>One fee- this again prevents us from trying to develop a game- it is costly just to develop one or few games but that is not sufficient to run an interactive operation on its own. One must take into account small size of the country, available skills for such development and costs. This type of license can apply in large markets and where there big gambling operators.</p>	<p>There is the option for investors to either develop their own games (Type 1) or purchase their games (Type 2).</p> <p>a) Interactive Gambling Operator licence – Type 1</p> <p>This licence will be available for an operator who wishes to develop their own live or online game and software and to offer these products on their website.</p>  <pre> graph LR Player((Player)) --> PR[Player Registration] PR --> GS[Game server] GS --> IG[In-house Developed Live Games Studio (e.g. lottery, bingo)] </pre> <p>b) Interactive Gambling Operator licence – Type 2</p> <p>This licence will be available to allow an operator who, through contract agreements, to use live or online games and software from other game developers for their own website.</p>  <pre> graph LR Player((Player)) --> PR[Player Registration] PR --> GS[Game server] GS --> CG[Contracted live or online games (Casino, Betting)] </pre> <p>Nevertheless, this does not limit an investor from having both license.</p>

9	<p>4. (1) For the purposes of these Rules, the Authority may grant the following categories of interactive gambling licences in accordance with the requirements of the Act -</p> <p>(a) Interactive Gambling Operator licence – Type 1</p> <p>(b) Interactive Gambling Operator licence – Type 2</p>	<p>Could you please clarify the reasoning behind the two license categories? I understand that an operator may initially require contract agreements and support from other game developers. However, they might also be interested in developing their own live or online products as their business grows, taking advantage of new technology and operational efficiencies. Does this mean they would have to have 2 separate licenses at SR1'000'000 each?</p>	<p>The option is available for investors to either develop their own games (Type 1) or purchase their games (Type 2).</p> <p>a) Interactive Gambling Operator licence – Type 1</p> <p>This licence will be available for an operator who wishes to develop their own live or online game and software and to offer these products on their website.</p>  <pre> graph LR Player((Player)) --> PR[Player Registration] PR --> GS[Game server] GS --> IG[In-house Developed Live Games Studio (e.g. lottery, bingo)] </pre> <p>b) Interactive Gambling Operator licence – Type 2</p> <p>This licence will be available to allow an operator who, through contract agreements, to use live or online games and software from other game developers for their own website.</p>  <pre> graph LR Player((Player)) --> PR[Player Registration] PR --> GS[Game server] GS --> CL[Contracted live or online games (Casino, Betting)] </pre> <p>In regards to the license:</p> <ol style="list-style-type: none"> 1. If an investor, chooses only Type 1, they will be subjected to the fee of SCR 1,000,000 only. 2. If an investor opt for both Type 1 and Type 2, they will be subjected to the fee of SCR 2,000,000.
10	<p>6. (2) A licensee shall have a reserve requirement in the form of cash in an amount of not less than SCR 3,000,000 that must be maintained by the licensee at all times</p>	<p>The capital adequacy requirement of SR3, 000, 000 is excessive as it results in idle capital. This creates an additional barrier to entry.</p>	<p>The sum being proposed derives from comparative analysis and taking into consideration the accompanied risk associated with interactive gaming.</p>

10	6. (3) A licensee shall have a reserve requirement in the form of cash in an amount of not less than SCR 3,000,000 that must be maintained by the licensee at all times	WHY? If you have player limits and winning limits this is not required to be kept at all times. We operated for 10 years and know this very well.	The sum being proposed derives from comparative analysis and taking into consideration the accompanied risk associated with interactive gaming.
22	25. (4) Payments, deposits and credits to and from a player's account are to be paid directly to and from the player's fund in the name of the player or made payable to the player as established under subsection (3).	Need clarity what this means?	<p>The purpose of this sections forms part as of the control for player protection. Any monetary values to and from the player's account should be separate from the licensees revolving funds.</p> <p>Moreover, it also enforces the principles and requirements for the Anti-Money Laundering and Counter-terrorism Financing (AML/CFT) legal frameworks segregation of funds</p>
22	<p>26. (2) At a minimum the policy should provide information on the following:</p> <p>(f) information and links to agencies and organisations who are able to offer help and assistance to problem gamblers.</p>	Currently there are no agencies or organisations in Seychelles that are able to offer the industry with help and assistance to problem gamblers ((26)(2)(f)) – This is part of current discussions with FSA for normal gaming operations and may be constraint of things do not change	The FSA notes, that as at present there are no agencies or organisations providing assistance to problem gamblers. Nevertheless, the proposed Bill, includes “at a minimum”, hence it will not be an obligation (unless there are further amendments to make it obligatory) to include in the policy, though this forms part of the responsible gambling programme.