

Regulating the future

Good afternoon ladies and gentlemen,

My name is Joseph Cuschieri and for those who don't know me I am the Executive Chairman of the Malta Gaming Authority. I have been in office since November 2013 and I must say it has been a great experience and satisfaction to oversee such a dynamic industry. It is indeed my pleasure to address this seminar today and I look forward to sharing my views and experiences with you to render our respective tasks more enriching.

I must say at the outset that Malta and the UK are very much aligned on the policy front in that unlike many other European States, we do not believe that prohibition can attain our policy objectives. We believe in sound, logical and effective regulation as the means through which we attain policy objectives to regulate for the future.

I trust you will all agree with me that a regulator's ethos and attitude is critical in gaming. It is the understanding and expertise of the MGA, together with other facilitating factors which Malta offers, I hasten to add; that has spurred the drive to shore up and channel gaming into regulated systems – very notably in the remote gaming sphere. There are no co-incidences here. The double-digit growth in European gaming demand and supply, irrespective of its source requires not tough regulation but logical, evidence based and fair measures which are applied knowingly, efficiently and consistently across all forms of gaming.

Outlook

The Gaming industry is constantly subject to development in terms of ongoing convergence, technology and its increasing attractiveness, which as a result requires frequent reconsideration from a regulatory perspective. In fact, entities charged with the regulation of this industry often find themselves in difficulty trying to achieve the right balance between setting the right environment for regulated business to thrive and promoting responsible and lawful behaviour. There is always a trade off to be made.

Hence, the quest for this balance is what continues to inspire Malta and jurisdictions all over Europe to do more in the name of clear and coherent regulation. The MGA believes in open dialogue and recognises the importance of face to face discussion between key stakeholders having the ability to shape the future of gaming regulatory policy, whilst aligning on a proper understanding of our common aims. It is no coincidence that Maltese Operators who are also licensed in other jurisdictions have chosen Malta as their primary place of establishment to service their global activities.

In this respect, we need to continue building on future collaboration on a pan European level towards the eradication of duplication of requirements and more simplification to reduce burdensome and costly compliance procedures which are eating away capital which could otherwise be dedicated to more research on player protection and innovation. On top of this, the higher costs of access to markets particularly in Europe is expected to increase merger and acquisition activity for the foreseeable future driven mainly to address cost efficiencies, synergies, dominance and market access obstacles.

Regretfully we tend to focus all our enforcement efforts on legitimate and regulated gaming operators established and operating within the EU's internal market, when with conviction I believe the wrongful

players are outside of this market and operating from off shore jurisdictions which offer no controls and regulatory supervision.

‘Regulate to Innovate’

We are moving forward with this vision in mind. Please do allow me to touch base on some key drivers leading our trajectory:

- **The new gaming legislative framework** which shall shortly be published for consultation by our Minister is one of our key strategic repositioning projects. This is the backbone for the years to come, a future proof framework which caters for innovation through technology neutral provisions. Bearing these range of possibilities in mind what should Governments and regulators do to stay relevant ahead of this wave of change approaching?
- **Up scaling our regulatory compliance logic** - we are questioning our internal processes and operations collectively, in order to be more clinical in our performance but remain fair and reasonable while building on case studies, research and shared experiences. The latter shall be supported by a risk based approach which shall be the fulcrum around our decision making processes. We are looking closely towards improving our player protection standards by adopting an evidence based approach whilst revisiting our commercial communications policies and responsible gaming obligations by being less prescriptive and more goal oriented.

We are not perfect but we aim for excellence and I believe that a regulator needs to be equipped with the necessary resources, tools, skills and technology to be effective and agile in the execution of its functions. Our continuous improvement programme should lead to more efficiency and proactivity in an increasingly disruptive environment in the years ahead.

- **Strategic repositioning** – The Maltese Government remains committed to this, coupled with the belief that effective regulation is better than prohibition to foster a healthy ecosystem which is crime-free and built on **sound consumer protection policies**. This is no easy task and we need to strike the right balance between economic gain and social protection. There needs to be more investment in **Data analytics** in order to adopt an evidence based approach and challenge conventional thinking.
- The MGA is fully cognizant that **the rise of crypto currencies** is inevitable. Conscious of the need to remain at the forefront of innovation, the Authority has commissioned a study with the involvement of other local stakeholders, including the financial services regulator, to ensure that all the relevant factors are taken into consideration in devising the manner in which best to cater for the use of crypto currencies in gaming. Thus far the key risks presented thereby have been identified. The Authority is committed to allowing the use of crypto currencies by its licensees in the immediate future, following the final outcome of the study which is meant to assist the MGA in devising a commensurate framework which incorporates the necessary safeguards to ensure that the introduction of crypto currencies in the local gaming ecosystem does not prejudice paramount regulatory objectives, such as player protection, the prevention of crime, and the reputation of the Maltese jurisdiction.
- **New types of games e.g. Fantasy sports** has been gathering significant interest over the past few years, however it still remains to be seen whether the American phenomenon will be able to catch on in Europe. Suffice to say that our recent initiatives in this sector have generated

numerous queries and interest. This new framework has given us the ability to apply the right controls on new, emergent games in accordance with the risks they pose to consumers. After some research into these evolving products, the MGA found that while the proliferation of certain online skill games offered for money may require regulatory intervention, the risks being presented were different to those being presented by online casinos for example. Different products present different risks to consumers and a framework more specific to skill games will allow us to look at these emerging games with a different mindset.

- **Anti-money laundering** - All operators in the gaming industry will become ‘obliged entities’ under the new 4th AMLD and we have been working hard together with the Financial Intelligence Analysis Unit in order to implement the Directive and publish clear guidelines on how the various parts of the industry ought to take on their new obligations. Following informal consultation with the industry and a risk assessment, the MGA is now discussing particular aspects of the proposed implementation with the FIAU. Once a draft document is agreed to between the two entities, the industry will be consulted once again. The MGA, supported by the FIAU, is committed to implementing the new directive in a way which safeguards the industry from money laundering and the funding of terrorism while ensuring that the controls imposed are commensurate with the exigencies of the industry.
- **Last but not least ‘Brexit’** – I would say that this development would accelerate a trend that has been ongoing for a number of years whereby companies opt for Malta as a jurisdiction of Primary establishment to service their worldwide operations. The key defence here is always the European principles, such as where the company is established, to provide services in other countries and if the company is in the EEA etc. In terms of UK entities who are looking at EU anti-money laundering obligations and what the impact of that will be: ultimately if one is based in the UK there will still be the requirement to comply with such standards in order to conduct business with EU counterparts. I do not see any UK entities being able to alleviate themselves out of compliance with certain directives purely by going through the Brexit process. Notwithstanding all these challenges we look forward to enhance our relationship and cooperation with the UKGC and I reiterate my commitment to support ongoing efforts on this front.

One final point if I may. Our resolve is for Malta to remain at the forefront of gaming regulation and innovation. Our belief in sound regulatory policy and legislation lies at the heart of our success. I leave you on this point and wish you all a fruitful seminar.

Thank you for your attention.

Joseph Cuschieri- Executive Chairman

Malta Gaming Authority