



ANNUAL REPORT

2020



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A message by the Chief Executive Officer



The year 2020 will be remembered for the difficulties it inflicted on the world, with the challenges it created being unparalleled in recent history. It soon became evident that as global lockdowns were imposed, effective and efficient monitoring and regulation of online gambling became more important than ever as people increasingly looked for online entertainment. This report will highlight the positive response the MGA had to this unforeseen reality. As this Annual Report marks the beginning of my tenure as Chief Executive of the Malta Gaming Authority, I would like to take this opportunity to also relay the strategic direction which the Authority will be heading in, specifically so that we may continue to improve.

Back in 2018, Malta enacted the second wave of gambling legislation that built on years of experience to provide a framework for more efficient and effective regulation of the sector. The 2018 legislative package introduced the notion of 'objective-based regulation', and the importance of such approach was particularly highlighted, and tested, with the onset of the pandemic in 2020.

The highest priority remained the wellbeing of the players and of the public at large. We therefore dedicated more resources to monitoring the impact of the pandemic on the industry, to reinforcing the importance of responsible advertising, and to ensuring the safeguarding of the integrity of betting markets. In acknowledgement of the difficulties being faced by the industry and its service providers, we permitted the delayed submission of administrative documentation to ensure that our licensees could focus their attention on ensuring that they continue to provide a safe and fair environment for their players, with renewed attention on the consumers' wellbeing in the context of the pandemic. All this while continuously raising the bar on regulatory standards, in particular with regards to the supervision of licensees' adherence with their AML/CFT obligations, together with the FIAU.

It is also time for us to look inward and determine whether our regulatory processes are conducive to upholding the efficiency and efficacy that is intended by our governing legislation. Raising regulatory standards has led to substantial investment in the supervision of our licensees, particularly with regards to their AML/CFT function, including by vetting the integrity of the persons who hold key positions within MGA licensees. The MGA has also renewed its commitment to player protection and introduced audits ascertaining adherence to responsible gaming requirements in 2020.

It is now time for us to assess where we are duplicating checks and where we have unnecessary bureaucracy which gives no regulatory benefit. This will mean less administrative burdens for the MGA and the industry alike, allowing each party to focus more resources on effectively attaining regulatory outcomes.

Throughout 2020, the MGA continued to invest in its relationships with both local and foreign counterparts. The pandemic unfortunately brought our physical cross-border visits and hosting opportunities to a halt, but gaming regulators continued to meet and share best practices via remote means. The importance of maintaining these relationships, particularly with jurisdictions outside Europe, remains high on the MGA agenda. I look forward to being able to share more success stories in the near future.

2020 also marked improved cooperation with local entities and authorities. The MGA updated the MoU it had with the FIAU, strengthening an already excellent partnership, and entered into a new one with the MBR. This reinforces the commitment that the MGA has towards a holistic approach to regulation. The objective of keeping gambling free from crime is not one which we can achieve by ourselves, and we intend to continue sharing information, best practices, and establishing bases for cooperation between the entities.

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I am also acutely aware that it was, and remains, paramount for the Authority to meet the reputational challenges we are facing head on. We set high standards for our licensees, and therefore it is only natural that, as the regulator, we must look internally, improve, and lead by example. Governance is therefore high on the agenda, and we will continue to work on greater outreach to ensure utmost transparency. It is our responsibility to uphold the value of an MGA licence, and I understand that in every situation, justice must not only be done, but must be seen to be done. I commit to even more transparent decision-making, and to working towards the sustainable growth of the industry. I commit to continue pushing for higher and respectable regulatory standards, and I trust that all reputable industry players will meet us there.

In conclusion, I would like to thank all the MGA employees for their relentless efforts in rising to the unprecedented challenges of the past year. I would also like to extend my appreciation to the MGA Board members for their support as my team and I embark on this journey together.



Carl Brincat
Chief Executive Officer

| Our Role

The Malta Gaming Authority (MGA/Authority) is the regulatory body responsible for the governance and supervision of all gaming activities in and from Malta. Within our jurisdiction, we oversee the provision of fair, responsible, safe, and secure gaming services, with particular emphasis on the prevention of crime, fraud, and money laundering, and the protection of minors and vulnerable persons.

Our key functions include

- regulating gaming;
- supervising our licensees and overseeing their gaming operations;
- ensuring the fitness and properness of individuals and companies in possession of a gaming licence issued by the MGA;
- ongoing monitoring and ensuring that our licensees are in compliance with the laws and regulations;
- acting as a supervisory authority in accordance with the Prevention of Money Laundering and Funding of Terrorism Regulations;
- assessing licence applications and issuing approvals that are in line with our requirements;
- supporting and investigating player complaints;
- advising the Government on new developments and risks in the sector; and
- submitting legislative proposals to address changes within the sector.

Our vision is to

- sustain Malta's position as one of the most reputable jurisdictions in the gaming industry;
- raise standards within the global gaming sector to make gaming fairer and safer, thereby protecting consumers' interests;
- ensure gaming is kept free from crime by intensifying international collaboration efforts; and
- adapt Malta's gaming regulatory framework to evolving market needs, aiming for excellence.

| Our Values

Our core values shape the culture of the Authority, serving as the foundations guiding our actions and decisions.



One MGA

Providing support to one another, working cooperatively, respecting each other's views, and making our work environment fun and enjoyable, working with an attitude of inclusion and collaboration in everything we do.



Respect

Embracing and maintaining an attitude of tolerance, acceptance, and appreciation of diversity in all its forms while constantly communicating openly and honestly with a sense of altruism and sensitivity towards others.



Transparency

Being open, fair, and honest in all our dealings and maintaining the highest integrity at all times so that all stakeholders can have full trust in our organisation.



Passion

Striving to go beyond our call of duty and aiming for excellence in the quality of everything we do.

Our Governance Controls

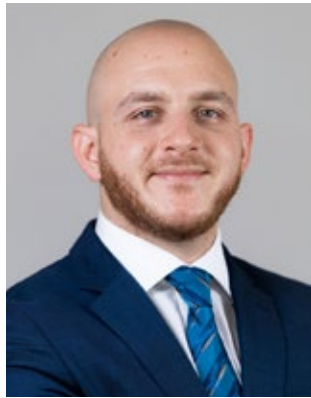
I The Board of Governors

The Board is primarily responsible for overseeing the strategic development of the Authority and ensuring that the policy and strategic objectives are attained. The Board is also responsible for policy development and overall risk management. It is consulted by the Government on policy matters.

Effective governance is essential for the sound functioning of the Authority, ensuring that it operates efficiently and with integrity.



PACE RYAN
Chairperson



BRINCAT CARL
Chief Executive Officer



CIANTAR CARMEN
Board Member



GRECH CAESAR
Board Member



FRANCALANZA ROBERTO
Board Member



SCERRI FERRANTE JULIANA
Board Member



TRAPANI GALEA FERIOL RUTH
Board Member



CARUANA ADRIAN
Board Secretary

I The Executive Committee

The Executive Committee is primarily responsible for the execution of the Authority's overall strategic vision, as directed by the Board. It is responsible for the day-to-day operation and management functions, as well as the implementation of the Authority's programmes and policies.



**BRINCAT
CARL**
Chief Executive Officer



**FORMOSA
CHRISTOPHER**
Deputy Chief Executive Officer
& Chief Officer Operations



**DUCA
REBEKAH**
Chief Officer Regulatory



**FARRUGIA
JASON**
Chief Officer Technology



**SANT
YANICA**
General Counsel



**SPITERI
PETER**
Chief Officer Finance
& Programme Management



**VOGIATZI
ANTIOPE**
Chief Officer Risk
In Office till 25 May 2021

The MGA is supported by internal audit and risk management functions which provide for a robust governance system.

| Audit Committee

Our agenda, in terms of the Authority's governance, risk management, and internal control mechanisms, are set by our Audit Committee. The Committee's work is established by the Audit Committee Charter. Specifically, it provides the necessary oversight of the financial reporting and audit process, as well as the Authority's system of internal controls and risk management processes, while ensuring compliance with laws and regulations. Furthermore, it is entrusted to approve the strategic and annual operational internal audit plans.

The Audit Committee in 2020

During the Audit Committee meetings the updated Audit Committee Charter and Internal Audit Charter were approved together with the Authority's Audited Financial Statements and the operations of the newly restructured risk function of the Authority. The impact of COVID-19 on the gaming industry was also discussed with the situation being closely monitored through the remaining months of 2020.

Internal Audit

The mission of the internal audit function within the MGA is to provide internal assurance and advice in an independent and objective manner. The Authority's internal audit function performed assurance engagements as per the annual internal audit plan approved by the Audit Committee, with the aim of adding value to the processes it reviews by providing effective recommendations for the attainment of specific objectives. As part of our internal quality assurance programme, the internal audit function regularly updates the Internal Audit Charter and its policies and procedures in line with the International Professional Practices Framework issued by the International Institute of Internal Auditors.

| Risk Management

The aim of the risk function is to support the overall development and centralisation of a risk-based approach towards the identification and mitigation of risks that could affect the Authority's day-to-day operations, as well as strategic risks in line with the risk appetite established by its Board of Governors.

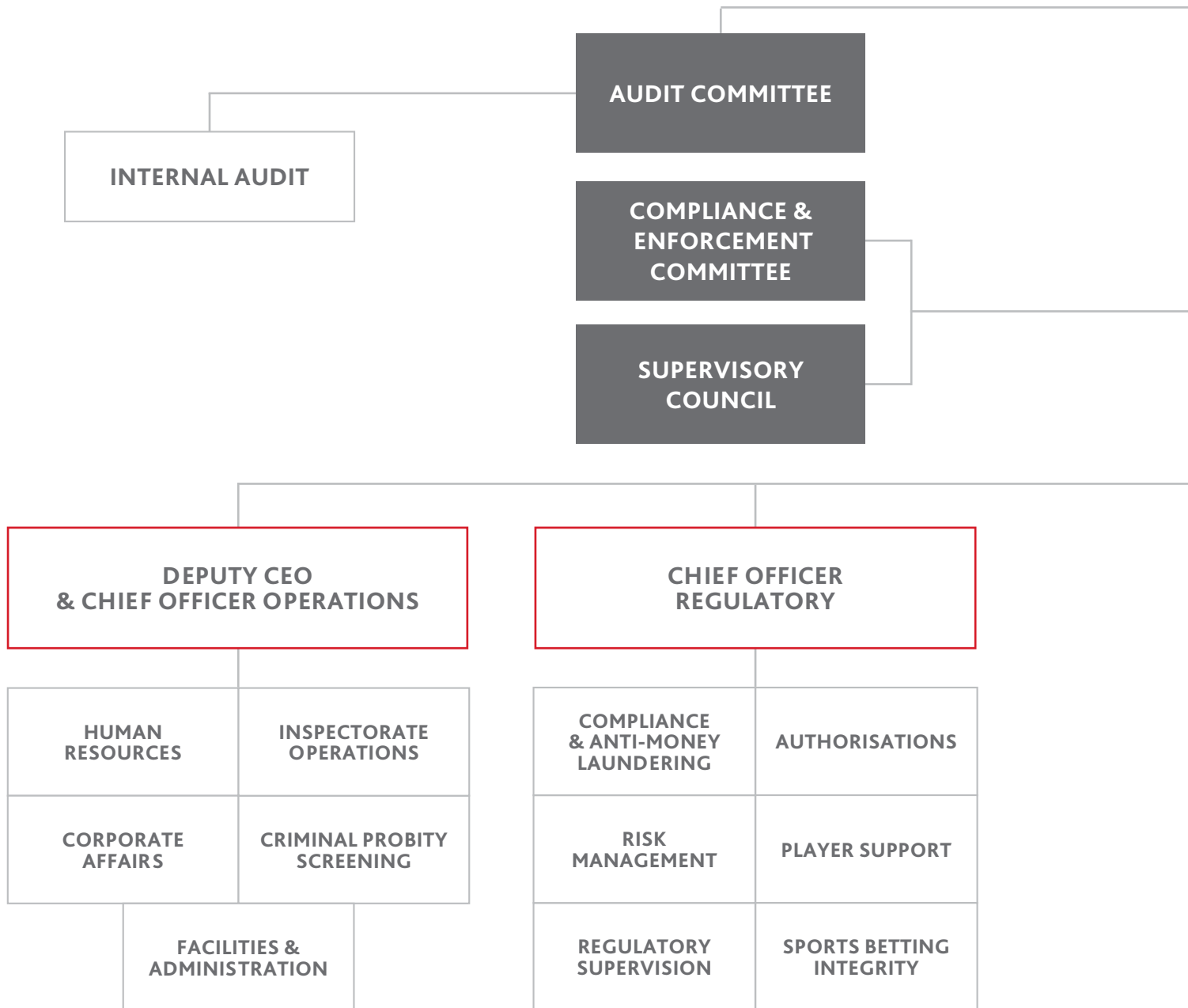
The principal objective of the risk management function is to eliminate threats and vulnerabilities by identifying their source, evaluating their impact, and devising plans to mitigate them. At the same time, identifying opportunities within disruptive events brings added value to the organisation, which can benefit by exploiting the positive aspects of a risky scenario. The risk management function also provides reassurance to stakeholders of the Authority and supports business continuity.

The main strategic objectives of the risk management function focus on the protection of the reputation of the local gaming jurisdiction, underpinned by good compliance practice by operators in line with the conditions set by their operating licences, but also by the Authority itself leading by example. Proper governance reflects on the jurisdiction as a whole, as we continue to strive to be a main point of reference for compliant gaming operations.

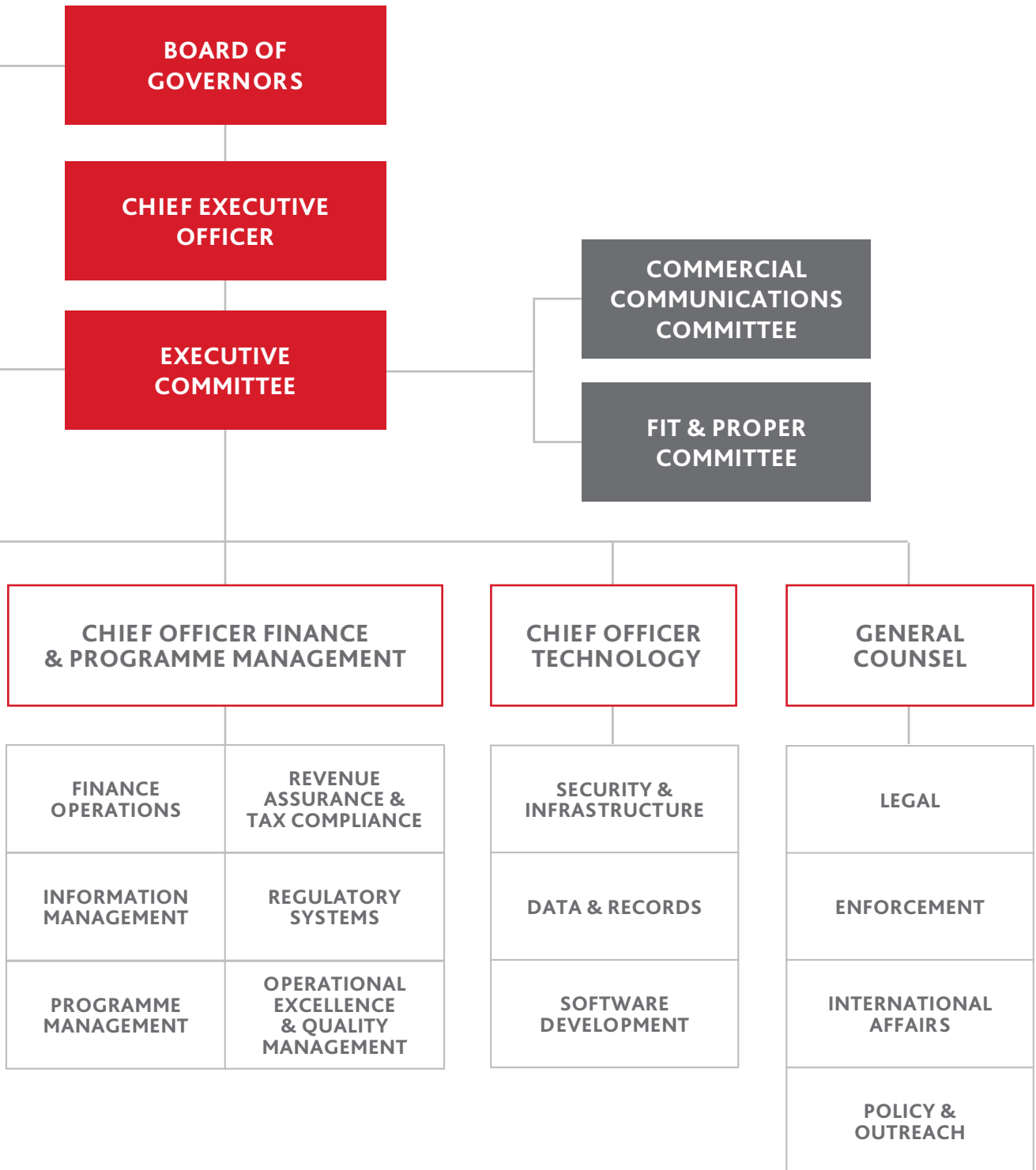
We also focus on nurturing relationships with key stakeholders in the industry to enhance the public image of the Authority both locally and as the main regulator of a prominent gaming industry internationally. We aim at establishing better communication regarding information on risk and understanding of threats posed, and strive for timely action in collaboration with external counterparts, such that all interested stakeholders are enabled to interrelate efficiently and elaborate on fundamental solutions towards regulatory effectiveness.



Our Organisational Structure



- CORE GOVERNANCE
- COMMITTEE/COUNCIL
- CHIEF OFFICERS FORMING PART OF EXCO
- DEPARTMENTS



| Our Directorates and Functions

The **CEO's Office** is primarily responsible for the implementation of the strategic vision of the Authority and for directing the overall management and operations of the various directorates within the MGA.

The **Operations Directorate** is responsible for the overall day-to-day operations of the MGA through the various support functions falling within its responsibility. The human resources function ensures that employees work in a positive and safe environment and promotes a high-performance culture across the Authority. It is also responsible for the promotional and corporate affairs management of the MGA by ensuring that the objectives set out by the Authority are communicated effectively. The Directorate is tasked with the undertaking of criminal probity screening at the stage where an application for a gaming licence or certificate is made and whenever necessary thereafter. Inspections in land-based outlets as well as oversight of live draws of the National Lottery operator's games fall within the remit of this Directorate. The Operations Directorate also manages facilities, health and safety, and security for the Authority.

The **Regulatory Directorate** is responsible for the authorisations and compliance functions of the Authority. It is entrusted with management of the overall onboarding of the various types of authorisations. This includes the processing of applications and the issuance of the relevant gaming licences, certificates, and all other types of authorisations required or sought by applicants, as well as their eventual renewals. This Directorate also processes notifications and requests for approval by licensees as required by law. It is responsible for the compliance of both online and land-based licensees with the stipulated licence conditions, the relevant legislative framework, and other regulatory instruments. Furthermore, the Directorate ensures that players are being protected by undertaking the necessary regulatory supervision as well as assisting and facilitating resolutions of complaints and disputes between players and licensed operators.

The Directorate's functions also encompass compliance with Anti-Money Laundering (AML) regulations. In addition, it is tasked with the carrying out of investigations on reported or identified illegal gaming operations performed to or from Malta, or through a Maltese legal entity. The Directorate houses the dedicated Sports Betting Integrity Unit, which contributes to the fight against the manipulation of sports competitions by

ensuring sports integrity and aiding in the investigation of irregular and suspicious betting activity.

Furthermore, this Directorate is responsible for the overall development and centralisation of a risk-based approach towards the identification and mitigation of risks that could affect the Authority's day-to-day operations, as well as strategic risks in line with the risk appetite established by its Board. To this end, it is also entrusted with the implementation of effective risk management practices within the Authority and with assisting risk owners in defining the risk exposure within their department.

The **Finance and Programme Management Directorate** is responsible for a number of support functions which ensure the well-functioning of the Authority. The finance function is primarily responsible for the collection of compliance contributions, licence fees, and other administrative fees due to the Authority, as well as for the general corporate finance support which provides for financial accounting, planning, and control, as well as procurement. This Directorate is also responsible for the information management function which supports the organisation in data-driven decision-making by providing key statistics on the gaming industry.

This Directorate also encompasses horizontal functions which manage the overall execution of the Authority's strategic projects while ensuring that the Authority embraces a culture that generates quality outputs. Through the regulatory systems function it is also responsible for the Authority's business processes and daily operations work-flow management.

The **Technology Directorate** is responsible for the security, infrastructure, software development, and data and records management of the Authority. It is entrusted with designing, maintaining, and supporting the Authority's information technology infrastructure, providing the Authority with an opportunity to leverage information and technology in a productive, efficient, and secure manner. This is achieved through technology and infrastructure planning, hosting and data management, in-house software development, business and software analysis, and quality assurance of software, together with testing and integration with other systems. In addition, the Directorate is responsible for the overall centralisation and management of data and records.



The **General Counsel Directorate** is responsible for providing advice on matters relating to the legislative framework concerning the gaming sector, general legal and regulatory affairs, and dispute resolution. It is responsible for identifying key regulatory areas requiring a specific focus in order to meet the Authority's policy objectives. The Directorate is also responsible for the European Union (EU) and international affairs management of the MGA as well as the Authority's relationship with its foreign and international counterparts, including information exchange and cooperation, whilst keeping up with international developments in gambling regulation. The enforcement function housed within this Directorate is responsible for taking the necessary actions on identified breaches of the laws and regulations governing the gaming activities licensed by the Authority.



Our Regulatory Process

The Authority has been consolidating the knowledge and experience gained over the years with the aim of regulating the gaming market effectively. All the relevant departments are committed to undertake consistent efforts to continue streamlining the internal processes, starting from the onboarding stage and moving through the lifecycle of the gaming licence. To this end, the various regulatory functions of the Authority and the various committees interlink to ensure that the multiple internal streams complement each other to achieve a common goal - that of effective regulation.

The Supervisory Council, acting as an overarching strategic structure, is responsible for ensuring the integrity, consistency, and development of the regulatory functions of the MGA. The Council provides the strategic direction as well as oversight and guidance in relation to ongoing regulatory issues, and assesses specific applications which are sufficiently complex as to require its direct intervention.

| Licence Issuance

Upon submission of a valid gaming licence application, the application goes through four internal streams of processes:

1. Fit and Proper checks
2. Evaluation of business planning and feasibility
3. Review of operational and statutory requirements
4. System Review

The evaluation of the applicant's fitness and propriety involves assessing all the information related to the entities and persons involved in the prospective applicant. Such checks extend to the applicant, its directors and key personnel, any entities in the corporate structure, and most importantly, the ultimate beneficiary owners. Moreover, private financiers are also vetted when the financing which they provide is deemed sufficiently significant. As part of this process, the MGA conducts probity investigations on the applicant with other national and international regulatory bodies and law enforcement agencies.

Further to the criminal probity checks performed as part as the review process of any type of gaming authorisation, the **Fit and Proper Committee** evaluates any issues concerning the applicant that may require further checks, and determines whether the entity and/or the associated persons are fit and proper to be granted an authorisation to conduct gaming business activities in line with Maltese legislation.

An in-depth financial analysis of the applicant's **business plan** is undertaken in parallel to the due diligence vetting. The applicant's business plan is expected to have a detailed forecast of the proposed operation, inclusive of marketing and target market strategies, HR plan, and financial forecasts. As part of the business plan analysis, we also delve into the source of any funds to be invested into the business. This also

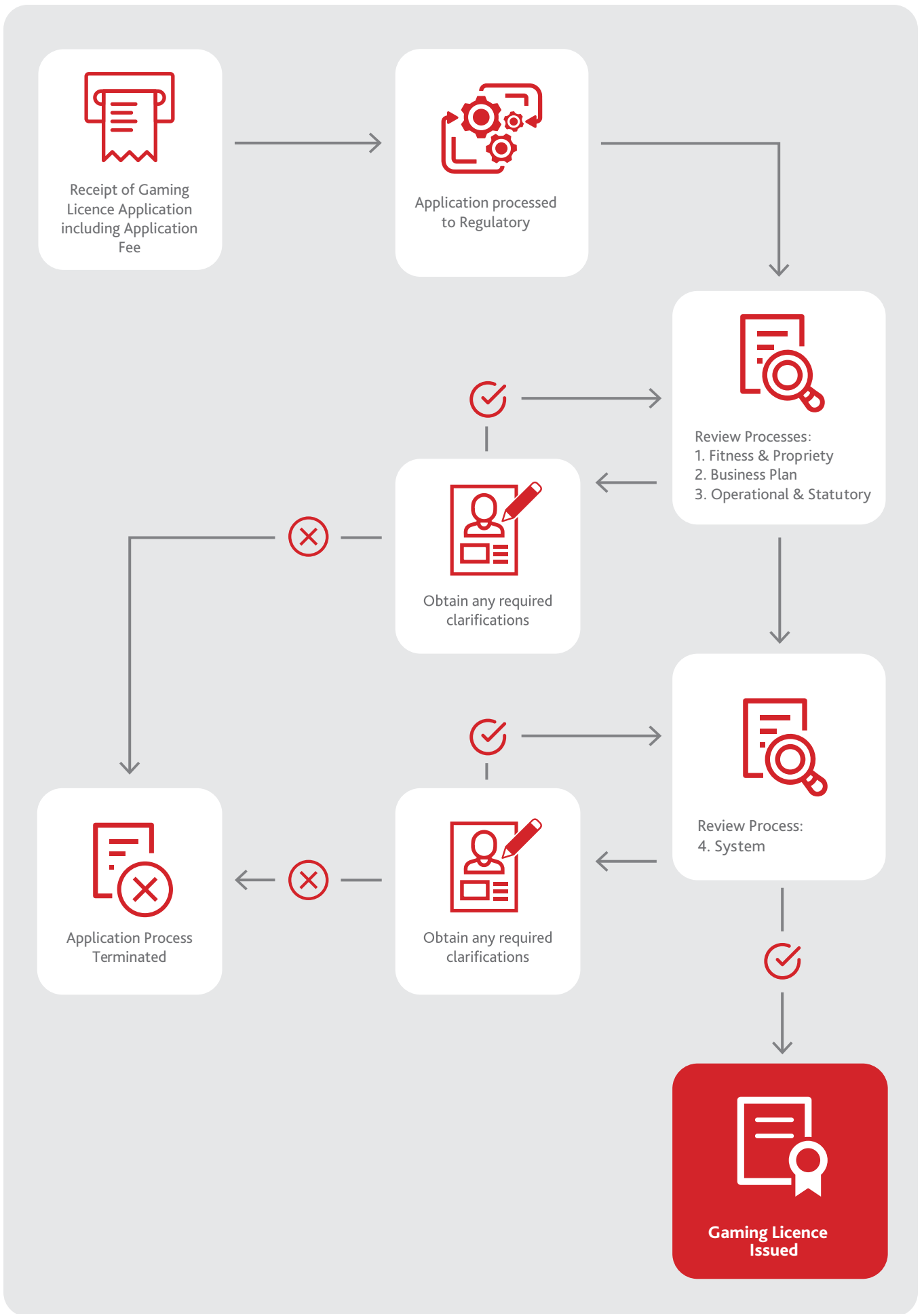
includes an analysis of the financial soundness of the applicant and the viability of the business proposition.

Following the business plan review, the applicant's **statutory and operational documents** are also subject to a desk-based review to ensure that they are in line with the requirements at law and that the applicant is equipped to conduct the proposed operations in a compliant manner. This process includes assessing incorporation documents, operational policies and procedures, internal controls, game specification documents, and the technical documentation of the gaming and control systems. Inconsistent and low-quality applications are rejected.

Once the desk-based review is completed, a **system review** is undertaken whereby the applicant is instructed to implement the operation onto a technical environment in preparation to go live. The applicant will also need to appoint a Service Provider that holds the requisite MGA approval to carry out a system review, which will audit and verify the live environment against the proposed application.

Once the four main pillars of the licensing process are complete to the satisfaction of the Authority, and therefore all the criteria required at law are adhered to, the applicant will be granted a ten-year licence, naturally subject to continued compliance with all regulatory requirements.





The Gaming Licence Application Process



| Compliance

Once a gaming licence is issued, the Authority must ensure that throughout its lifetime the licensee adheres to the Gaming Act (Chapter 583 of the Laws of Malta) and all other applicable regulatory instruments and other legislation. This is done through a regulatory setup which focuses on compliance.

Our compliance directorate focuses on distinct functions which together ensure that all licensees are aware of and comply with the applicable regulatory requirements. Our compliance mechanisms span from undertaking prudential compliance as a baseline to focusing on thematic areas including AML and sports integrity in instances of match-fixing.

In pursuit of our regulatory objective to protect players, there is a specific focus on both responsible gambling as well as player fund protection by ensuring that our licensees have the necessary systems and controls in place. Our compliance structure also incorporates an investigations function which focuses on investigating matters of a suspicious nature, including potential illegal gaming, fraud, and other breaches emanating from the relevant regulatory instruments falling under the Authority's remit.

Through the various **prudential compliance** mechanisms, we require our licensees to undergo compliance audits performed by an approved Audit Service Provider appointed by the licensee. An initial audit is held within the first years of operation after being licensed by the MGA, while any other audit depends on the annual compliance plan set by the MGA applying a risk-based approach. Failure of a compliance audit may lead to suspension or termination of a licence.

The Authority also carries out constant physical inspections at the premises of licensed land-based gaming establishments, ensuring that such operators are complying with the pertinent rules and regulations.

In terms of **AML** the main objective is to ensure that licensed operators are well-versed and equipped to identify any potential Money Laundering and Terrorist Financing (ML/TF) activities and are aware of their obligations not only in terms of the safeguards that need to be in place but also in terms of necessary reporting.

The MGA is the *lunga manus* of the Financial Intelligence Analysis Unit (FIAU) in this aspect and conducts examinations on the FIAU's behalf in accordance with the Supervisory Plan established by the latter authority. The MGA also vets proposed Money Laundering Reporting Officers (MLROs) to ensure they have the necessary skill set to perform their function in an adequate manner.

In line with one of the Authority's objectives at law, we establish that operators have the necessary safeguards in place to ensure that players are gambling safely and responsibly whilst offering protection to minors and vulnerable persons. This is verified through the introduction of targeted audits focusing on adherence to our licensees' obligations regarding **responsible gambling**.

Through our compliance mechanisms we undertake routine activities to ensure that **player funds** are sufficient to cover funds pertaining to players, including by monitoring the accounts held with credit, financial, and payment institutions. We also confirm on a regular basis that such funds are managed well by our licensed operators and are kept segregated as required in terms of the pertinent rules and regulations. Additionally, the Authority has a set of procedures in place to protect players in the event of termination of the licensed operation.

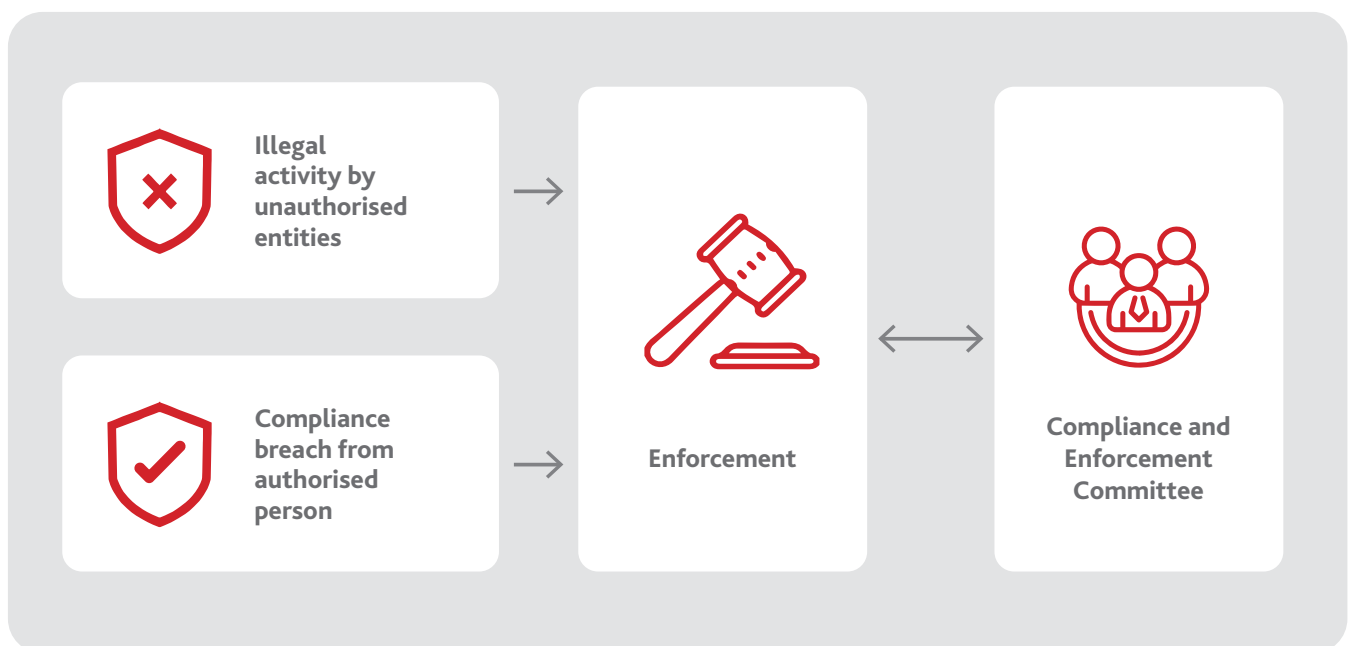
With the aim of reinforcing our regulatory efforts in relation to marketing and advertising, the **Commercial Communications Committee** analyses such material to ensure adherence to legal requirements. The decisions of the Committee are published in an anonymised manner to provide guidance for licensees as to the expected standards.

Since the threats of match-fixing and malicious sports betting continue to pose a challenge which asks for effective regulation, we also take a proactive approach in managing **sports integrity** and contributing towards the fight against match-fixing and other types of manipulation in sports competitions. To this end, we have set up a Suspicious Betting Reporting Mechanism that requires licensed operators to report instances of suspicious betting to the Authority.



I Enforcement

Regulatory breaches are scrutinised by the relevant internal directorate and escalated, complete with the necessary information, to the **Compliance and Enforcement Committee**, which decides on the appropriate **enforcement** action to be taken. The Authority has the power to suspend and cancel licences and issue warnings and administrative fines, as well as request the Malta Police Force to prosecute any person, including but not limited to licensees, for breaches constituting a criminal offence against the Gaming Act. The most proportionate measure is decided in accordance with the applicable regulatory instruments as well as the guidelines that are published on this specific matter.



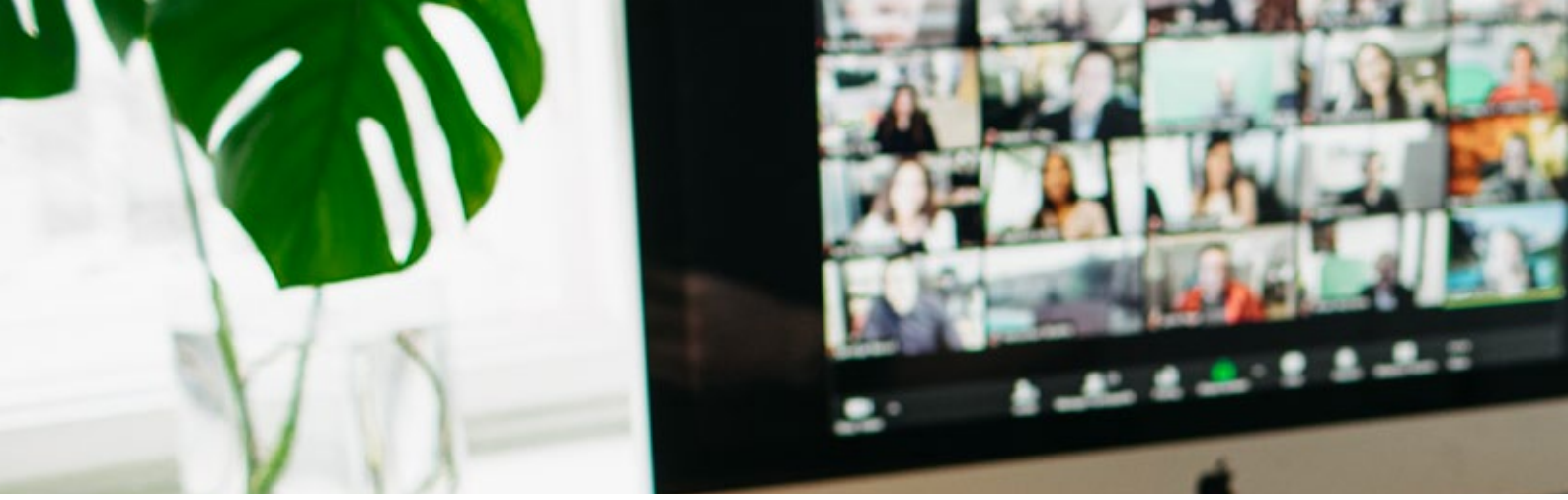
I Conclusion

The Authority is committed to continuously enhance its regulatory structures by ensuring that the Maltese gaming licence is safeguarded and that any gaming activity is undertaken in line with the existing regulatory framework. Our main focus remains to improve the operational mechanisms to adapt to any external challenges that market conditions and industry developments may bring about, always acting within the spirit of the law that governs the gaming sector and our regulatory objectives as established thereby. Furthermore, enforcement continues to be a regulatory priority, with the Authority taking the appropriate enforcement measures in case of non-compliant licensed operators as well as taking effective steps to investigate and stop illegal operations in, or from, Malta.



A Review of 2020

2020 was a year like no other due to the unexpected outbreak of COVID-19 which spread at an alarming rate and brought significant stress onto the global economy. Despite the pandemic, the gaming sector in Malta expanded by 15.3% in terms of value added in 2020, to an extent cushioning the effects of the marked declines in other sectors. As a result, the share of the gaming sector in the Maltese economy rose by 1.36 percentage points to 8%. This resulted entirely from the shifts which the pandemic caused on patterns of consumer spending, favouring specific segments in the online gaming market. It also indicates the important element of diversification against shock which the gaming sector has the potential to provide to the economy as a whole.



I Responding to the COVID-19 pandemic

The pandemic presented significant demand-side challenges to land-based gaming operators and those specialising in sports betting. It also created operational challenges for business continuity, particularly due to the restrictions on travel for employees. Recognising the impact that the pandemic has had on players, gaming companies, and their employees, the Authority embarked on the following initiatives in 2020:

Monitoring the impact of COVID-19 on the gaming industry

In order to assess the impact of the COVID-19 pandemic on the gaming sector, in April 2020 the MGA conducted a survey among its licensed online operators. The survey covered different areas, including the impact of the pandemic on revenue, operating costs, and investments. It also focused on industry concerns and actions taken by companies during the initial phase of the pandemic. The survey also investigated the operational problems that operators might have encountered, involving staff absences and difficulties with recruitment as well as travel restrictions. The feedback received through the survey contributed towards the Authority's work in implementing appropriate measures and raising industry concerns to the Government regarding the impact of COVID-19.

Ensuring responsible advertising

During these turbulent times, we kept a close eye on the relevant developments with respect to COVID-19 and its impact on players who may have become vulnerable due to isolation and social distancing, to ensure that adequate and proportionate measures are introduced in a timely manner.

In the first quarter of 2020, the Authority reminded its licensees that, in accordance with the Commercial Communications Regulations to which they are subject, all commercial communications must be socially responsible. The Authority also urged its licensees to pass on this information to any affiliates, and to be vigilant and ensure that their brands are not being promoted in an unethical and socially irresponsible manner. The MGA indicated to licensees that at no point must any commercial communications directly or indirectly:

- encourage antisocial behaviour;
- suggest that gaming can be a resolution to social, educational, personal, or professional problems;
- suggest that gaming can be an alternative to employment;
- suggest that gaming can be a solution to financial concerns or a form of financial investment;
- portray gaming as socially attractive; and
- suggest that solitary gaming is preferable to social gaming.

In 2020, the MGA took action against 10 adverts or promotions that, in the opinion of the Committee, inappropriately exploited the COVID-19 pandemic.



Safeguarding the integrity of betting markets

The cancellation of national leagues spurred interest in betting operators to look for alternatives, including betting on events with different risk profiles to those traditionally offered. These included betting on amateur or minor league sporting events and betting on esports.

In order to safeguard the integrity of such events, and warn betting operators of the risks involved, the MGA issued a set of guidelines to ensure that all licensees remained compliant with regulatory expectations during the ongoing COVID-19 pandemic.

Extension of deadline for submission of audited financial statements

One of the requirements that stems from the regulatory instruments applicable to MGA licensees is that of the submission of audited financial statements for each financial year by not later than 180 days after the end of such financial year. The adherence to such obligation is highly dependent on a thorough process which licensees must undergo with qualified third parties. In recognition of the difficulties created by the COVID-19 pandemic, the MGA extended the submission deadline to the end of October 2020. Nevertheless, by not later than 180 days after the end of their financial year, licensees were obliged to submit unaudited accounts to allow the Authority to retain continuous visibility over their financial standing.

Deferral of compliance contribution and gaming tax

The MGA recognised that the suspension or cancellation of several sporting events and competitions affected the revenue streams of licensees that offer betting on the result of such events. In light of this situation, the Authority deferred payments of compliance contributions and gaming tax owed to the MGA for revenue generated from activities classified as Type 2 in terms of the Gaming Licence Fees Regulations (S.L. 583.03) for the months of March, April, and May 2020.

In addition, for licensees that solely and exclusively offer Type 2 gaming services and for whom the payment of the fixed annual licence fee fell due in March, April, or May 2020, the payment of such licence fee was equally deferred and subsequently fully paid in line with the deferral of the other contributions.

Licensees were also reminded that in instances where activity generated from a gaming vertical ceased entirely or lessened to amounts that did not justify the continued operation of such vertical, the authorisation to operate that vertical could be voluntarily suspended by the licensee due to the extenuating circumstances brought about by the current pandemic, and reactivated again with the resumption of major sports leagues.

COVID-19 measures introduced by the Government

In addition to initiatives introduced by the Authority, the Maltese Government announced several measures as part of a financial package to help the Maltese economy during the COVID-19 outbreak. The licensees that were facing difficulties due to a sudden, acute liquidity shortage were invited to explore the possibility of accessing financing for their working capital requirements from their bank, in line with the guarantees provided by the Malta Development Bank's COVID-19 Guarantee Scheme.

Moreover, any company that experienced a significant downturn in turnover, with a drop in sales of circa or exceeding 25%, was allowed to apply for a deferral of payment of Provisional Tax, VAT, and National Insurance contributions on salaries as announced by Government.

In addition, the Government introduced several employment-related support measures aimed at protecting jobs and helping the most vulnerable during these difficult times.

Raising awareness on ML/FT in the wake of the COVID-19 pandemic

The MGA organised a training session for the industry which focused on common Anti-Money Laundering and Combating the Funding of Terrorism (AML/CFT) shortcomings and emerging ML/TF threats and typologies in the wake of the COVID-19 pandemic, including a question-and-answer session with FIAU representatives. The impact of COVID-19 on the remote gaming sector was also discussed during a webinar specifically organised on this subject.

Ensuring safety of our employees

Our top priority has remained the health and safety of our employees. Since the outbreak of COVID-19, we have continued to monitor the situation closely, adjusting our internal policies to respond to this rapidly evolving situation. We took several measures to protect and support our staff during these unprecedented times, namely:

Shift to remote working

During the last weeks of Q1 2020, we started to feel the implications of the COVID-19 outbreak in Malta. Our team mobilised with extreme speed and dedication to shift to an online mode of operation. The Authority adopted all the necessary measures to ensure a smooth transition to remote work while maintaining continuity of services and ensuring that each employee was equipped with the right tools to fulfil their responsibilities.

The Authority was praised for its successful remote working arrangements by the then-Parliamentary Secretary for financial services and the digital economy, Clayton Bartolo, and the Minister in the Office of the Prime Minister responsible amongst other things for social dialogue and working conditions, Carmelo Abela, during their visit to the MGA's offices in Smart City, Kalkara. During this visit Hon. Bartolo and Hon. Abela encouraged public and private organisations to adopt similar work systems for a digital and sustainable world.

Leading and managing remote teams

The sudden shift to remote working meant leading and managing teams in new ways. In light of this, the MGA identified the need for immediate management training tackling the issues of remote leadership. The main focus was to ensure that managers were equipped with the skills required to lead teams in a context where face-to-face interaction was brought to a halt due to the pandemic.



Prioritising employees

Considering the circumstances brought about by the pandemic, the Authority made significant efforts to ensure that employees felt cared for. A care strategy was devised to ensure that active contact was maintained with all employees throughout the Authority. The need to facilitate cross-departmental interaction was a priority since this was unavoidably impacted with the majority of employees working remotely. In an effort to maintain a strong team spirit, the Authority also organised online games between employees from different departments.

In keeping with our employee-first approach, regular meetings were set up with a number of colleagues who form part of different departments. These online meetings proved to be much needed and greatly beneficial as employees responded positively to them, using the opportunity to discuss any concerns and issues they were facing individually or as a team whilst working remotely. Employees enjoyed meeting up with their colleagues for an informal chat as they shared the different ways their teams maintained meaningful ways of keeping connected whilst working from home.

Mental wellbeing sessions

As an organisation, we are mindful that employees may be impacted differently by the pandemic and the changes brought about by it, and for this reason, we further encouraged the uptake of the counselling services provided by Richmond Foundation.

Furthermore, in collaboration with the Foundation, we organised two mental health wellbeing sessions which tackled the topic of stress that could have been brought about by the pandemic, along with an additional session on the particular challenges working parents faced during this time and how best to create healthy boundaries.

I Raising regulatory standards

The MGA is committed to protecting the Maltese gaming jurisdiction by ensuring that the MGA's licence holders operate in a responsible manner and comply with the applicable rules and regulations.

Supervision and review of the regulatory objectives

In order to achieve the desired regulatory standards, the MGA's Supervisory Council was established with the aim to ensure the integrity, consistency, and development of the regulatory functions of the Authority. The Council oversees the licensing and other regulatory decisions in respect of all regulated activities falling under the Gaming Act. Particular focus is placed on providing a coordinated and consistent approach towards regulatory policy. Through the Council, we proactively address critical and sensitive matters that arise within our various regulatory directorates and which may warrant further internal discussion. Further to ongoing regulatory issues, this mechanism provides the necessary oversight and guidance on regulatory strategies while also acting as an advisory committee to the Authority's Board and Executive Committee.

The Supervisory Council in 2020

Between January and December 2020, the Council and its sub-committee convened 19 times to discuss issues of strategic relevance. One area of focus during 2020 was the governance framework which aims at continuous improvement of our internal processes.

Given its strategic position, the Council may also be entrusted with reviewing applications for new gaming licences, variations to existing licences, or other applications for authorisation when these meet a certain risk threshold. During 2020, a total of 17 applications were raised to the attention of the Supervisory Council, out of which two (2) were rejected, seven (7) were sent for further clarifications, and eight (8) were approved.

Fit and proper considerations

One of the initial functional processes we use to determine whether a legal person, being a director, shareholder, ultimate beneficial owner, financier, or any key person associated with a prospective or existing licensee is 'fit and proper' is through the undertaking of a criminal probity screening. This is mainly done via various online platforms and datasets which are available through open sources, as well as by contracting third-party service providers which offer professional assistance, thus enhancing the overall effectiveness in determining the criminal probity of a person.

Upon application for a gaming licence, or whenever deemed necessary throughout the lifetime of a licence, criminal probity screenings validate the identification and verification of all natural and legal persons involved with the relevant entity. Such a procedure ensures that Malta-based gaming operations are not used as means for ML/TF, that any legal person is fit and proper from a criminal probity perspective and is suitable to hold a licence, and that its behaviour is consistent with the licensing objectives, the requirements of the relative legislation, and the conditions of its licences and related codes of practice.

Furthermore, with the aim of reinforcing our screening processes, we have revamped the criminal probity screening team's risk matrix for both individuals and entities to ensure a more holistic approach to intelligence gathering and evidence-based decision-making. This change was deemed necessary in order to adopt a risk-based process that allows for better understanding and identification of prospective applicants that pose a high risk to the Authority and consequently qualify for enhanced due diligence. This improvement in methodology is in line with what is expected from our licensees in terms of the FIAU's Implementing Procedures Part II for the Remote Gaming Sector published in July 2020.

During the twelve-month period of 2020, we undertook a total of 1,475 criminal probity screening checks, an increase of 13.5% when compared to the year 2019. These tests covered three main categories, namely individuals, shareholders and ultimate beneficial owners, key persons and other employees, and companies from both the land-based and online gaming sectors. It should be noted that 93.6% of such screening checks referred to online gaming activities.

Regulating in times of COVID-19

Recognising the challenges faced by operators in 2020 due to the current international climate resulting from the fight against the spread of the COVID-19 pandemic, we inevitably had to rethink our onboarding processes for new applicants, as well as other authorisation procedures. This enabled both the Authority's employees as well as prospective applicants and licensees to adapt to the situation and continue operating in the most streamlined way possible. To mitigate the various restrictions experienced by applicants located in countries that had lengthy lockdown periods, in cases where it was not possible to obtain official documents or certifications we accepted different declarations and/or alternate documentation, ensuring that all the required information and reassurances are still provided to the Authority in due course whilst minimising the burden on applicants as much as possible.

Another major change was the removal of the requirement that all documents had to be submitted to the MGA in hard copy. Prospective applicants, as well as existing licensees, were thus able to apply for various authorisations by uploading the required documents on the Licensee Relationship Management System (LRMS), retaining only a limited number of declarations for which the presentation of a physical copy was required. These changes resulted in more streamlined operations and improved ways of conducting business, given the constraints that the world was faced with.

Although some areas of the gaming industry were severely affected by the COVID-19 pandemic, the Authority still received a considerable number of queries and applications from prospective applicants for gaming licences or other types of authorisation. Our existing licensees were reminded that, in instances where activity generated from a gaming vertical ceased entirely or dwindled to amounts that did not justify the continued operation of such vertical, they could request voluntary suspension. As a result, some operators requested suspension of one or more verticals, especially in the area of sports betting. On the other hand, other licensees submitted requests to open up their portfolios to new game types, verticals, and game providers.

Effective authorisation processes

In 2020, we received a number of requests for authorisations, including gaming licences, recognition notices, and key function certificates, together with several requests for changes. Between January and December, a total of 58 authorisation applications were received, 48% of which were received for a Business-to-Business (B2B) type of licence. The total number of gaming licences issued during the first twelve months of 2020 was 68, including some spill overs from 2019.

Additionally, in 2018 we introduced the concept of a Recognition Notice whereby the Authority regulates internationally licensed game providers as well as Maltese registered and established entities that do not hold a Maltese gaming licence. During the course of 2020, we received 48 applications and approved 42. In order to make our process as rigorous as possible, prior to the issuance of any such certificate we ensure that the foreign authorisation issued for the entity by another member state of the EU or the European Economic Area (EEA) is deemed adequate and offers safeguards equivalent to those offered by the Maltese legislation. Furthermore, we ensure that such foreign authorities provide the necessary supervision in terms of AML/CFT.

Ongoing screening process

Prior to the issuance of any type of gaming authorisation, issues concerning the fitness and propriety of applicants are brought before the Fit and Proper Committee to evaluate and decide whether an individual or an entity, be it a new applicant or one already in possession of a gaming licence or other authorisation, are fit and proper to be granted the authorisation sought, particularly from a criminal probity aspect. This process is crucial in ensuring uniformity and consistency in decisions and the attainment of the regulatory objective of ensuring that the sector is kept free from crime. Through this setup, we decide which entities and personnel should be screened, whether or not existing licensees are suitable to continue to conduct gaming business under the Maltese licence, and whether certificate holders are fit and proper to maintain key function approvals. Additionally, changes to existing policies and procedures regarding the Authority's due diligence process on operators and individuals are also discussed.

Fit and Proper Committee in 2020

Since its inception in August 2016, the Fit and Proper Committee convened on more than 150 occasions, with 44 meetings taking place between January and December 2020. The Committee took 207 decisions in 2020, out of which seven (7) pertained to the refusal of individuals and entities due to them being assessed as not fit and proper on the basis of mitigating the risks of ML/TF, whilst there was also one (1) refusal whereby an individual was deemed as not being fit and proper to hold a key function certificate.

Additionally, 60 decisions were to the effect that the Committee required further documentation and/or declarations from the prospective applicant or existing licensee prior to deciding on their fit and proper status. This was done to ensure the integrity and uniformity of decisions. A further 43 decisions which were taken referred to applicants brought before the Committee who were ultimately considered to be fit and proper based on the information and documentation provided. The remaining 96 decisions related to procedural matters, mainly in light of the operational limitations imposed due to the COVID-19 pandemic.

Strengthening collaboration for the integrity of non-profit games

The gaming legislative framework also enables us to regulate a number of low-risk games, encompassing non-profit games, commercial communication games, and limited commercial communication games, by issuing a permit that is only valid for a singular event and that expires when the event is concluded. This gives us the opportunity to ensure that there is fair play in accordance with the principles we embrace. Consequently, anyone who wants to organise any type of low-risk game requires prior approval of the Authority and must adhere to the conditions contained therein. To increase our efforts on this front, during 2020 we enhanced our collaboration with the Commissioner for Voluntary Organisations and have created a process to ascertain that any entity that applies for a non-profit game is only issued with a permit if such an entity is a registered and compliant voluntary organisation.

Proactive compliance

Good regulatory governance requires a robust and effective supervisory and monitoring function. It is crucial for us to instil a culture of regulatory compliance amongst all our licensed operators, ensuring that they adhere to the rules and regulations governing the gaming sector, both online and land-based. We put a lot of emphasis on our operators' track records on compliance matters and base our prudential supervision on risk. Each licensee's prudential risk rating is dynamic and changes depending on the results of targeted compliance audits, routine checks, and periodic thematic initiatives, and in turn affects our compliance plan for that licensee going forward.

During 2020, we initiated 38 compliance audits and completed 30, one of which related to a live studio. We also carried out 324 desktop reviews, of which 98 identified deficiencies and were escalated accordingly to our Compliance and Enforcement Committee. Additionally, during 2020, we closed off 202 logged issues that arose throughout the year, ensuring that overall, licensees were compliant with the relevant regulations and directives.

Additionally, with the objective of constantly improving our compliance effectiveness and efficiency, we started revamping the current compliance audit procedure with the aim of reducing audit checks that are carried out via routine assessments or are considered low value. This will lead us to achieve a leaner and more focused compliance audit procedure which is a key target for the coming years.

Strengthened surveillance of money laundering

In terms of AML our main objective is to ensure our licensees have the necessary controls and safeguards in place to detect and identify suspicious transactions or behaviour which may be conducive to ML/TF practices, so that they are not used as a vehicle for crime.

We work hand in hand with the FIAU, which is the principal regulator on this matter, to constantly improve and refine the supervisory methodology used in carrying out AML/CFT examinations of licensed entities deemed to be subject persons under the Prevention of Money Laundering and Funding of Terrorism Regulations (PMLFTR).

In this regard, in 2020 we started carrying out targeted and thematic examinations, in addition to full-scope examinations. Additionally, the COVID-19 pandemic led us to re-engineer the way examinations were carried out since we had to move from on-site inspections to remote ones, which at times resulted in longer execution periods due to an increase in the number of interviews held to the level of testing conducted.

During the twelve-month period of 2020, a total of 27 supervisory examinations on remote gaming licensees were conducted by the MGA, of which 10 were full scope examinations, three (3) were targeted examinations, eight (8) were thematic examinations, and six (6) were supervisory meetings. The full scope examinations enable us to assess the full spectrum of AML safeguards while the targeted examinations focus on particular areas. The thematic examinations focus on a specific theme or area in a group of peer institutions. Supervisory meetings, on the other hand, refer to meetings held with representatives of a subject person in order to get an understanding of the company's commitment towards AML/CFT. The MGA, as the Supervisory Authority, presents AML examination findings to the FIAU's Compliance Monitoring Committee for its determinations.

Vetting process of prospective MLROs

Another step in reinforcing our compliance mechanisms is by conducting interviews with prospective MLROs and key persons carrying out AML/CFT functions under the Gaming Act, to determine the knowledge and suitability of each candidate for the role, which requires an approval from the MGA. In 2020, a total of 65 interviews were carried out, out of which 40 were approved, 17 were conditionally approved, and eight (8) were rejected. Additionally, we also issued a Directive on the Key Function for the Prevention of Money Laundering and the Financing of Terrorism (Directive 3 of 2020) to regulate the process of approving the key AML/CFT function and establish the criteria which make the key AML/CFT function eligible for the role. This ensures a consistent approach towards the quality of MLROs engaged by our operators.

Assuring tax compliance

As a regulator we are also entrusted to collect, on behalf of the Government, the compliance contribution, licence fees, and other administrative fees and gaming taxes due by our licensees, as well as ensure that licensed entities operate in accordance with the applicable financial obligations mandated by law.

With the aim of increasing our regulatory controls, we have introduced the concept of tax compliance audits. For this purpose, we have developed all the necessary tools, audit methodologies, and documentation, coupled with a reporting structure documenting all relevant findings resulting from such tax compliance audits.

In addition, a set of defined and structured guidelines on Gaming Revenue (GR) was drawn up. This further ensures that all stakeholders are fully aware of the basis of the GR computation in accordance with the relevant gaming laws and regulations.

Ongoing supervision of the land-based sector

With the aim of strengthening the regulation of the land-based gaming sector, we supervise licensed casinos on an ongoing basis, with MGA staff present at such premises almost around the clock. During 2020 a total of 6,092 visits were conducted.

We also oversee draws offered by the National Lottery licensee and carry out inspections in land-based gaming premises, namely bingo halls, lotto booths, and gaming parlours. Furthermore, ad hoc inspections are also carried out during non-profit tombola events.

Throughout 2020, the land-based sector was affected considerably since gaming premises were forced to close, with effect from 18 March 2020, due to the COVID-19 pandemic. The land-based industry started a gradual reopening, under very tight restrictions, when the National Lottery licensee was allowed to resume operations on 4 May 2020. Following that, gaming parlour operators could start offering solely sports betting as from 22 May 2020, with the eventual lifting of game restrictions for gaming parlours as well as the reopening of casinos and commercial bingo halls happening on 5 June 2020. The temporary closure of gaming outlets had an impact on the number of inspections carried out by the MGA, as shown in the table below.

Number of Inspections	2018	2019	2020
Gaming Parlours	2,268	3,382	2,400
Lotto Booths	717	788	907
Commercial Bingo	646	506	182
Non-profit Tombola	413	454	62

Although physical inspections were very limited during this period, from our end it was of utmost importance to ensure that all licensed gaming operators were running their business in adherence with the relevant laws and regulations, including the restrictions imposed by the Superintendent of Public Health. Regulatory efforts were also undertaken to establish continuous and genuine reporting on the financial aspect of the operations as well as for the recording of all gaming elements stored inside the licensed casinos. This procedure involved the resealing of all critical points, thus minimising the possibility of any tampering during the closure period.

With regards to land-based casinos, we also collate and analyse data on major players provided to us by the local casino operators, with the aim of acting as an added layer of supervision on high net-worth customers for the purpose of AML/CFT supervision; with the result of reporting any complex and unusually large transactions, as well as unusual patterns of transactions which do not have any apparent or economic lawful purpose.

Improving how we regulate

In an effort to improve how we regulate land-based gaming services, in 2020 we updated the Gaming Premises Directive (Directive 2 of 2019) as well as the Guidance Note on Gaming Devices and Amusement Machines. The amendments to the Gaming Premises Directive were made in order to guarantee the proper functioning of a number of regulatory mechanisms applicable to gaming premises and controlled gaming premises. The scope of the Guidance Note is to more clearly establish which elements are to be considered when assessing whether a device or article ought to be classified as a gaming device or an amusement machine in accordance with the Gaming Act and the subsidiary legislation thereunder.

Proactive approach to sports integrity

The threats of match-fixing and malicious sports betting continue to be a challenge for sports and the regulated industry alike. To this end, we are committed to taking a proactive approach in managing sports betting integrity. During the year under review, we have established ourselves to be an important stakeholder in the fight against match-fixing and other types of manipulations in sports competitions through three main pillars:



- Initiating and participating in investigations related to the manipulation of sports competitions.
- Gathering and storing of betting intelligence and accompanying data.
- Introducing policy and research initiatives related to the manipulation of sports and betting integrity.

The COVID-19 pandemic brought most sporting events to a complete halt during the second quarter of 2020, directly affecting the betting markets. However, the market adapted quickly, with esports experiencing a significant boost during the same period. In order to safeguard the integrity of events that gained popularity and warn betting operators of the risks involved, we issued a number of practical recommendations to the industry and other stakeholders.

Furthermore, following a consultation period, we devised a Suspicious Betting Reporting Mechanism that allows our licensed Business-to-Consumer (B2C) operators to report instances of suspicious betting to the Authority in an easy and streamlined manner. This reporting tool will enable us to implement effective and efficient regulatory processes around suspicious betting in the sports betting sector.

Legislative Updates

During the course of 2020, following consultation and communication with the relevant industry stakeholders, we introduced the following:

- Directive 1 of 2020 - VAT Fiscal Receipt Lottery Directive
- Directive 2 of 2020 - Low Risk Games in Care and Nursing Homes Ruling
- Directive 3 of 2020 - Directive on the Key Function of the Prevention of Money laundering and the Financing of Terrorism
- Amendments to Directive 2 of 2019 - Gaming Premises Directive
- Amendments to the Guidance on the use of Innovative Technology Arrangements and the acceptance of Virtual Financial Assets and Virtual Tokens through the implementation of a Sandbox Environment
- Guidance Note on Gaming Devices and Amusement Machines



Effective and efficient enforcement

Due to the highly innovative and dynamic nature of the local gaming sphere, it is crucial that all relevant legislative instruments are kept consistently up to date and in line with developments which are constantly underway. It is also equally imperative that all provisions therein are enforced in an efficient and appropriate manner. To this end, we have investigative and enforcement structures in place which enable us to take the necessary action against legal persons or entities that are found to be in breach of the pertinent regulatory instruments.

There are two pillars to our enforcement strategy: encouraging compliance by licensees, and investigating and enforcing against unregulated business being conducted in or from Malta. With regards to the latter, we have focused on the investigation of gaming operations carried out to or from Malta or through a Maltese legal entity, with a particular focus on operational structures that are evidently put in place to try and skirt around regulatory requirements. The external requests for information submitted by various enforcement bodies are being put to good use to assist in identifying such operations.

Our investigative approach, however, goes beyond investigating and following up on matters reported to us. We apply a proactive approach by carrying out regular open-source monitoring and flagging up such instances. Investigations are also conducted on gaming websites which fraudulently claim to hold an MGA gaming licence, with a proactive approach also being applied in this regard by informing the general public that the Authority has no connection to such operators through immediate notices on our website.

Enforcement on licensees follows a structured internal process. To further strengthen our enforcement mechanisms, we have developed and implemented an escalating enforcement plan aimed towards ensuring enforcement fairness, proportionality, and consistency. Breaches committed by operators are scrutinised by our compliance team and escalated to the Compliance and Enforcement Committee for a decision on the appropriate enforcement measure. Throughout the year under review the following enforcement actions were taken:

Number of Enforcement Actions	2018	2019	2020
No. of warnings	16	20	69
No. of administrative penalties	138	24	24
No. of suspended licences	4	11	3
No. of cancelled licences	8	14	12



Early 2020 saw the first regulatory settlement which included confiscation of proceeds made through unlicensed gaming activities in breach of the Gaming Act, with the total financial penalty imposed amounting to just above €2.34 million.

Additionally, we also continued to increase the transparency in our decision-making from an enforcement perspective, as part of an ongoing process to ensure that the MGA is not only effective, but that it also takes such measures in a transparent and proportionate manner which fully respects the rights of all involved.

The Compliance and Enforcement Committee in 2020

The Compliance and Enforcement Committee is entrusted with the evaluation of breaches of the Gaming Act and the regulatory instruments issued thereunder. During 2020, the Committee convened for a total of 43 meetings, wherein various cases pertaining to alleged breaches of the aforementioned Act and the regulations issued thereunder by the Authority's authorised persons were discussed. During the year 2020, the Committee reviewed approximately 270 different cases and item points that were escalated to its attention.

The Committee is empowered to take various enforcement measures in relation to its authorised persons depending on the nature of the breach committed by the authorised person. In terms of law, these measures include the imposition of warnings, administrative fines, and in more severe cases the suspension or cancellation of any authorisation issued by the Authority.



I Safeguarding players' interests

Player protection is at the forefront of our regulatory objectives. We are committed to oversee that the gaming sector offers a fair and secure gaming environment by ensuring that the necessary safeguards are in place for players to gamble safely and responsibly, curbing the risk of addiction and identifying and supporting the persons who are most at risk.

Protecting player funds

Determined to continue enhancing player protection, in 2018 we enacted the Player Protection Directive (Directive 2 of 2018) which enhances consumer protection standards and responsible gambling measures. One of the obligations laid out in the Directive established that sufficient funds shall be held by the respective licensee to cover total player and jackpot funds. Any licensees reporting shortfalls are consequently requested to rectify their financial position forthwith. Licensees are also requested to ensure that at least 90% of the funds required to cover player funds is composed of funds held in EU/EEA-licensed credit, financial, or payment institutions.

Within this context, we have reinforced our supervisory mechanisms by initiating a number of audits related specifically to the player and jackpot funds held by our licensees as well as the accounts held with credit, financial, or payment institutions to cover such liabilities. These audits are used for both reconciliation purposes as well as to verify that the player and jackpot funds coverage requirement is met consistently and not merely at the reporting date of the respective Player Funds Report (PFR). Between January and December 2020, we reviewed 2,475 PFRs. These reports ascertain that sufficient funds are held by the respective licensee to cover the total player and jackpot funds. The relevant reports also reveal the extent of funds which are held with credit institutions as opposed to other institutions such as financial and payment institutions, or funds which are still in the process of being cleared by payment gateways.

We also have a set of procedures in place to protect our players in the event of a licence surrender or cancellation. In such scenarios, the licensee is subjected to a player data extraction. The purpose of this extraction is to gain visibility of those players who are still owed funds by the licensee and have not been responsive in collecting their dues prior to the closure of the gaming operation. To this end, the necessary arrangements are made so as to ensure that such player funds are safeguarded in accordance with the applicable Player Terms and Conditions, notwithstanding the closure of the gaming operation. Throughout the year under review we conducted 23 separate player data extractions.



Monitoring financial stability of the licensees

Monitoring the financial stability of licensed operators is of paramount importance to us as this has an impact on the protection of player funds. In this regard, all operators are required to submit their audited financial statements and interim financial statements on an annual basis. This allows us to identify financial high risk licensees and take the necessary regulatory actions to ensure ongoing availability of funding by the parent company or other shareholders. In so doing, the economic rationale and origin of funds is verified to ensure that the industry is not utilised as a vehicle for ML/FT activities.

Review of Player Protection Directive

We constantly review our regulatory framework to ensure its applicability to ever-changing market conditions. To this end, we have requested a critical review of Malta's player protection legislation by experts in the field. In 2020, we embarked on an initiative that would materialise with the implementation of amendments to the Player Protection Directive and other legal instruments. These will ensure that through the Maltese legislative framework players remain protected following any changes in the market conditions.

Assisting players

During the year under review we received a total of 5,625 requests for assistance, a considerable increase of 58% when compared to 2019. This is partly attributable to changes in the behaviour of players during the COVID-19 pandemic as well as the deployment of a new complaints management system by the Authority. The latter facilitates the overall management of player requests, resulting in further efficiency and better organisation of our processes. Consequently, the number of requests closed off in the same period reached a level of 5,681, an increase of 56% over 2019 levels.

Ensuring socially responsible advertising in times of COVID-19

During 2020, it was also our responsibility to pay particular attention to the potential effects the COVID-19 pandemic may have had on players, in particular on the vulnerable ones who found themselves to be socially isolated from others. Within the ambit of the Gaming Commercial Communications Regulations (S.L. 583.09) we reminded our operators to act within the limits of the law and ensure that all commercial communications are socially responsible, especially considering the current situation. Any direct or indirect reference to the COVID-19 pandemic, or any related circumstance, would be considered to constitute a breach of this regulation. This was reinforced through the MGA's Commercial Communications Committee, the focus of which is specifically the review of commercial communications and the assessment of any possible breaches of the pertinent regulations.

The Commercial Communications Committee in 2020

The Commercial Communications Committee is entrusted with the evaluation of all gaming commercial communications which are brought to its attention by the general public or through our various regulatory and monitoring structures. After conducting its review of the relevant commercial communication, the Committee takes the necessary actions on those published adverts which are not compliant with the provisions of the Gaming Commercial Communications Regulations (S.L. 583.09), and, after the relevant licensee is given time to make its submissions, flags them to the Compliance and Enforcement Committee which determines whether a breach has occurred, with a recommendation for the appropriate enforcement action to be taken. The Committee is also empowered, where circumstances so warrant, to require the licensee to remove an advert pending the final determination of its compliance with the law, where it is determined that this is necessary to avoid significant harm to the general public.

During 2020, a total of 32 meetings were held during which the Committee found a total of 44 authorised persons to be in breach of various provisions of the Commercial Communications Regulations. Such breaches varied from the advertisement of commercial communications without the necessary disclaimers at law to breaches concerning advertisements on social media which failed to include a reference to the terms and conditions governing a promotional scheme, amongst others. A set of recommendations were put forward to the Compliance and Enforcement Committee, depending on the relevant breach, including recommendations to impose a warning or the imposition of an administrative penalty.

Responsible gaming audits

A further type of audit introduced in 2020 was the Responsible Gaming Audit. This audit is intended to measure licensees' compliance with the specific requirements emanating from the player protection obligations laid out in the Regulations. The audit delves into specific licensee-player relationships, and assesses the player verification, the suitability of the interactions, the responsible gaming tools offered to and availed of by the player, and the overall player experience. Particular focus is placed on the identification of players that may potentially be vulnerable, and the steps taken by the licensee to help the player avoid such gambling harm from an early stage. The audits will carry on into 2021, and the intention of the Authority is to merge these audits within the wider compliance audit.





Strengthening collaboration and increasing our outreach

Regulating an industry as dynamic as the gaming sector requires a consistent and thorough horizon-scanning process in order to respond to any new technological or market-related developments which might require timely regulatory intervention. In light of this, the MGA is continuously investing its efforts into fostering international collaboration and building effective relationships with other regulators and stakeholders for the exchange of ideas and best practices.

Cooperation with other regulators

One of the international fora which provides an excellent opportunity for European regulators to share best practices and discuss means to achieve common goals is the Gaming Regulators European Forum (GREF). The MGA has employees attending all three working groups, these being eGambling and Technical Issues, Responsible Gambling and Addiction, and Information and Statistics (InfoStat). The MGA's representatives in each of these working groups share information, best practices, data, benchmark statistics, and regulatory and policy developments with counterparts in order to learn from each other. Throughout 2020, all members continued to actively discuss topical issues through online means of communication, since travel restrictions and lockdowns resulted in the cancellation of the main conference and meetings of its sub-committees. The MGA is also an active member of the International Association of Gaming Regulators (IAGR), a forum in which gaming regulators from around the world can exchange views and discuss policy issues among themselves and with representatives of the international gaming industry.

We believe that maintaining open channels of communication with all the relevant stakeholders is conducive to effective regulation. To this effect, we receive and action several requests during the year from our counterparts to share information on various areas. During 2020, we received a total of 67 requests from other regulators, whilst 47 were sent, as shown in the following tables:

International Cooperation – incoming requests	2018	2019	2020
Generic request for cooperation	12	16	21
Information about the local regime	2	4	4
Request for information about an unlicensed person/entity	7	5	1
Request for background checks as part of an authorisation process	8	28	35
Regulatory assistance with a locally licensed operator	4	2	1
Information about criminal activity by players	5	0	4
Sports integrity	4	3	1
Total	42	58	67

Note: The requests above refer solely to those received from other international gambling regulators and exclude any requests from other international entities and agencies



International Cooperation – outgoing requests

	2018	2019	2020
Informing other regulators of illegalities	3	13	2
Request for further information about a person/entity due to adverse media reports	2	0	0
Request for background checks as part of an authorisation process	8	50	43
Request for information as part of a compliance investigation	1	1	0
Information relating to a foreign regulatory regime	6	5	2
Sports integrity	1	0	0
Total	21	69	47

Note: The requests above refer solely to those sent to other international gambling regulators and exclude any requests to other international entities and agencies.

Throughout the year, we were approached by other authorities, both local and foreign, to provide feedback on the regulatory good standing of our licensees, through which we shared any relevant information and adverse remarks, if any, with regards to licensees and/or associated persons. During 2020 we issued 52 such responses.

Sharing our knowledge

The MGA hosts various technical workshops with international gambling regulators to exchange best practices and to provide training on specific areas of gambling regulation. In this respect, in past years we hosted delegations from Ireland, Nigeria, Curaçao, Sweden, the Netherlands, Latvia, and Ghana. MGA officials were also invited to speak and share their regulatory experience in jurisdictions that were seeking to create a new gambling regulatory regime, including Ireland and Brazil. In 2020 we received only one delegation, from the Lotteries and Gaming Board and the Ministry of Home Affairs and Cultural Heritage of the Republic of Zimbabwe, in order to share insight on how the Maltese gaming industry is regulated in view of imminent regulation in Zimbabwe.



Joining forces to fight against the manipulation of sports competitions

As part of our initiative to increase focus and resources towards the fight against the manipulation of sports competitions and managing sports betting integrity, we work closely with our international partners and other stakeholders in the betting industry, sport, and law enforcement bodies. This allows us to recognise vulnerabilities, encourage precautionary measures, and strengthen the deterrents to corruption in betting and sports in general, as well as enables us to better identify the longer-term threats and implement policies that prevent the threats that pose the greatest risk.

To this end, we gather the necessary intelligence and information relating to suspicious betting and serve as a liaison between our licensed betting operators and our sports integrity partners investigating cases pertinent to the manipulation of sports competitions.

During the year 2020, a total of 168 requests for information specifically on sports activity were submitted by enforcement agencies, sports governing bodies, integrity units, and other regulatory bodies. Some of the requests required us to check whether we hold any information on sporting events which were being investigated by the entity making the request. However, other requests for information required us to reach out to the industry in order to realise which operators held betting activity pertinent to a sporting event which was deemed of interest by the requesting body. Such requests were conducted in accordance with article 7(2)(d) of the Gaming Act.

We also received a total of 288 suspicious betting reports from licensees and other concerned parties. We ensured that each report was referred to the relevant sport governing body and, when required, assisted in any investigation which emanated from a reported suspicion. As a result of the above, we were direct participants in 20 different investigations relating to manipulation of sports competitions or breaches in sports rules.

Recognising the importance of data sharing in order to protect the integrity of sports competitions, during the period under review the Authority signed a total of five data sharing agreements with the International Cricket Council, the Swedish Football Association, the Darts Regulation Authority, the World Professional Billiards & Snooker Association, and the Slovak Football Association.

United front on AML/CFT matters

In the local scenario, we collaborate with other regulating authorities and governing bodies with the aim of regulating the Maltese gaming industry in a more effective and streamlined manner.

We are working very closely with the FIAU, with whom we mainly liaise on AML-related matters. Apart from conducting inspections in line with the FIAU's supervisory plan on a yearly basis, we continuously share information, statistics, and intelligence on gaming operators. Through our cooperation, during 2020 a revised version of the Implementing Procedures Part II for the Remote Gaming Sector was published. The changes carried out were necessary to reflect amendments to the PMLFTR and to the Implementing Procedures Part I, as well as to reflect realities that both FIAU and MGA officers have been encountering in the course of supervisory activities. Similarly, the two entities are also collaborating on the drafting of updates to the Implementing Procedures for the Land-Based Sector.

We also collaborate with the FIAU by assisting and disseminating information or knowledge that may be requested or may prove useful in the investigation of suspected ML/FT activities. Additionally, we work closely with the Asset Recovery Bureau and provide pertinent information for the identification of assets within the gaming sector. We also cooperate with the Sanctions Monitoring Board with regards to information which can assist the said Board in issuing sanctions on legal and natural persons. During 2020 we sent seven reports to the Sanctions Monitoring Board, out of which two required further action by the said Board.

Strategic local collaboration

A long-established collaboration exists with the Malta Police Force. We work closely together when cases of illegal gaming are identified. Other local stakeholders with which we cooperate include the Attorney General, the Malta Financial Services Authority (MFSA), and the National Statistics Office (NSO), as well as social agencies and other entities such as the Responsible Gaming Foundation and the GamingMalta Foundation.

Strengthening collaboration efforts through MoUs

As a result of the continuous collaborative efforts with our international and local partners, during the twelve-month period of 2020, three Memoranda of Understanding (MoUs) were agreed to and signed.

- The MGA and the FIAU signed an updated version of their MoU which brings forth better cooperative processes for the supervision of AML/CFT in the gaming sector. This has consolidated the existing long-standing relationship, with the MoU specifically aimed at improving the sharing of information and cooperation between the two entities on the supervision of AML/CFT in terms of the Prevention of Money Laundering Act (Chapter 373 of the Laws of Malta).
- Another MoU was signed between the MGA and the Malta Business Registry (MBR) on cooperation and exchange of information. The main aim of this MoU is to facilitate ongoing close communication between the two authorities and to support effective sharing of information on matters of mutual interest and policy areas. This MoU will further strengthen the mechanisms which allow both parties to promptly detect and take measures concerning any possible issues of non-compliance with the applicable legislation, including gaming legislation.
- The third MoU was agreed to by the MGA and the Dutch Kansspelautoriteit (the Dutch Gambling Authority). On the basis of this MoU, the two authorities will support each other by sharing best practices and information in support of their responsibilities at law, whilst also engaging in discussions on policy matters of interest.

Industry outreach

Outreach to the industry remains a key strategic pillar for the MGA. Recognising the importance of regular dialogue with our stakeholders, throughout 2020 we sent over 55 external communications, providing a synopsis of various updates and developments within the Authority and industry.

Furthermore, the representatives of various functions of the Authority participate in numerous events as speakers, panellists, or regular attendees, in Malta as well as abroad. Although the COVID-19 pandemic was a deterrent in this area, prior to March 2020 our representatives joined seven live speaking events, as well as participated at the ICE Totally Gaming conference that was held in London in February 2020. When conferences and other events started shifting online, we nonetheless kept up our presence through the various communication channels. In total, MGA employees participated in 31 online events.

In 2020, as part of our wider industry outreach, we organised two webinars focusing on AML/CFT. One focused on common AML/CFT shortcomings, emerging ML/TF threats and typologies in the wake of COVID-19, and Digital ID methods, while the second webinar, jointly organised with the FIAU, focused on the revisions made to the Implementing Procedures of the Remote Gaming Sector. These webinars were welcomed by the industry, with around 700 participants registering for each event.

In October 2020 we collaborated with Bank of Valletta (BoV) on a one-day online workshop focused on the gaming industry in Malta. This workshop served as a platform for both entities to delve into further detail as to how they relate to the gaming sector. As the regulator tasked with overseeing all gaming operations in and from Malta, the MGA provided an overview of the industry, including the Maltese legal framework's most salient points, while also providing an in-depth explanation of its regulatory procedures, starting from its licence onboarding processes through to the ongoing monitoring procedures it undertakes vis-à-vis its authorised persons. The MGA focused also on how the banking sector and its key players are a crucial link in the ecosystem. This workshop provided increased insight into the industry and the MGA's oversight thereon, which knowledge can be relevant for further interaction with the industry.



Remaining abreast with regulatory and technological developments

Given the rapid changes which the gaming industry experiences, emerging from technological, financial, political, and social developments, it is necessary for the Authority to constantly monitor its ecosystem, ensuring that we can quickly respond within the parameters of the legislative framework.

Amendments to sandbox regulatory framework

In 2020, the MGA has updated its Guidance on the use of Innovative Technology Arrangements and the acceptance of Virtual Financial Assets and Virtual Tokens through the implementation of a Sandbox Environment due to changing regulatory requirements resulting from technological and regulatory developments. The following amendments have been carried out:

- the authorised person and/or prospective authorised person shall be required to submit a legal opinion signed by a registered Virtual Financial Assets (VFA) agent regarding the licensability or otherwise of the services, in terms of the Virtual Financial Assets Act (Chapter 590 of the Laws of Malta), that shall be undertaken by the authorised person and/or any service provider engaged by the authorised person within the sandbox environment;
- the amendments clarify that authorised persons and/or outsourcing service providers that are carrying out a licensable activity in terms of the Virtual Financial Assets Act require a licence from the MFSA;
- the requirements relating to the verification of control that a player exercises over their wallet have been brought in line with applicable AML/CFT obligations; and
- the requirements applicable to the audit of innovative technology arrangements by auditors registered with the Malta Digital Innovation Authority (MDIA) have been clarified.

Keeping up with technological developments

In terms of developments from a technological perspective, we have developed internal structures which enable us to bridge the needs of our operators and the required changes to our technological systems with the aim of enhancing work-flow management and operational standards.

To this end, we are also embarking on a three-year IT strategy for the Authority at large, taking into consideration any areas which require improvement, including but not limited to any additional resources, new technologies, improvements to current infrastructure, and integrations with other systems, amongst other things. This strategy should ensure that the IT and information systems are aligned with the MGA Strategy 2020-2022, and shall include an analysis of potential automation and machine learning opportunities to increase the efficiency and effectiveness of our processes both internally and as they are experienced by licensees and other stakeholders.



Effective data management in view of GDPR

The MGA also invests substantial resources in designing, developing, and modifying our data management infrastructure to expedite data analysis and reporting while ensuring adherence to General Data Protection Regulation (GDPR) measures in line with the data retention policy.

During the year under review, we took a number of initiatives on this front:

- the development of an internal Application Programming Interface (API) integration tool which allows our employees to cross-check company information held on the MGA's internal systems against that held on the MBR's records with the aim of assisting in the effectiveness of our verification processes;
- the creation of a Suspicious Betting Reporting Mechanism which allows our licensees to disclose any suspicious events relating to suspicious betting on sporting events;
- preparation for the upgrading of the current ADX Portals and Customer Relationship Management (CRM) 16 systems to the latest flavour of CRM Dynamics 365 and MS portals; and
- the completion of the Enhanced Automated Reporting Platform (EARP) for the land-based sector as indicated in Directive 6 of 2019, through which qualifying licensees will be able to submit the requested standardised data to the Authority on a daily basis. In addition, we also oversaw the installation of Internet of Things (IoT) devices across all controlled gaming premises establishments.

Implementing latest technological solutions

A crucial structure within the MGA is the technological security infrastructure we have in place, which safeguards the IT infrastructure, edge devices, networks, and data. We are committed to always keep abreast with new technologies and implement the latest solutions, proactively implementing security measures and controls within the Authority and ensuring that the systems and services are active, in good health, and available to both our employees and licensed operators. To this end, internal and external security was an area we heavily focused on during 2020. In order to achieve a higher degree of security, we embarked on the following projects:

- implementing a cloud-based Web Application Firewall (WAF) based on mitigating Denial of Service (DOS) attacks;
- encrypting all communications occurring through the internal network with AES 256-bit, therefore preventing any potential Man-In-The-Middle Attacks (MITM);
- installing an on-premise next-generation threat prevention system designed to monitor the Authority's infrastructure and protect against any data breaches; and
- continuing our efforts to raise internal knowledge on any potential cybersecurity attacks through the acquisition of a cyber security program.

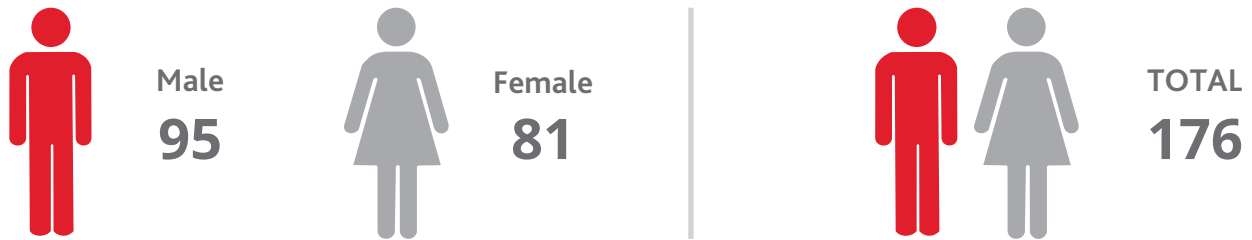
| Effective talent management

Our people are essential to the successful delivery of the MGA strategy. We strongly believe that the best results can only be achieved when employees feel valued and empowered. To this end, we strive to maintain a positive and healthy work environment which promotes collaboration and fosters professional growth.

Notwithstanding the challenges which the COVID-19 pandemic posed, in 2020 we continued to recruit the best talent and develop our staff to ensure that the Authority can achieve its desired service levels to conduct all its functions at law and regulate its portfolio of licences effectively. As at the end of 2020, we reached a total workforce of 176 employees.

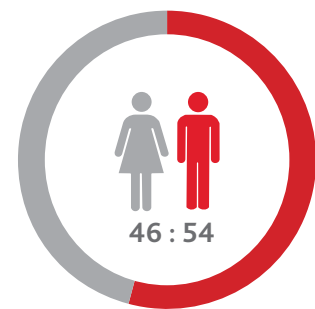
Headcount 2020	Total	Male	Female
CEO's Office (incl. International Affairs & Policy function)	10	3	7
Authorisations (incl. Authorisations, Player Support, and Regulatory Systems)	25	16	9
Compliance (incl. Compliance, AML, Regulatory Supervision, and Investigations)	38	17	21
Finance & Programme Management (incl. Finance Operations, Revenue Assurance & Tax Compliance, Information Management, and Programme & Quality Management)	19	10	9
Legal & Enforcement (incl. Legal, Enforcement, and Sports Integrity)	11	7	4
Operations (incl. Human Resources, Corporate Affairs, Facilities & Administration, Inspectorate Operations, and Criminal Probity Screening)	55	31	24
Risk (incl. Risk Management)	2	0	2
Technology (incl. Security & Infrastructure, Data & Records, and Software Development)	16	11	5
Total	176	95	81

Note: The distribution of functions and employees between the various Directorates refers to the Authority's structure as at the end of 2020.



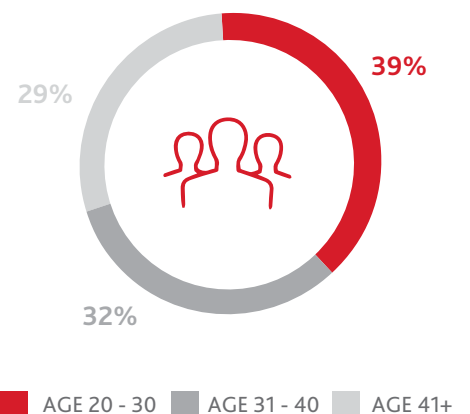
We are committed to fostering an inclusive environment by employing people with different backgrounds and talents and leveraging the diverse perspectives of the workforce in terms of skills and gender as well as age.

We are firm believers in investing in our people by offering the necessary training and development, aiming at enhancing employees' technical knowledge as well as their personal development. Out of the total number of employees as at the end of 2020, 72% held a recognised qualification, an increase of five percentage points when compared to 2019. Out of these, 66% hold a first degree, post graduate degree qualification, or equivalent.



As at the end of 2020, the gender (female – male) ratio was 46:54, an increase in the female workforce of four percentage points over the levels recorded in 2019. Out of all the members of the Authority's Board, 50% were female, while the share of women in our Executive Committee stood at 25%. When looking at our Senior Management team, the percentage of females stood at 54%. This reflects an increase in the female participation rate at all levels when compared with 2019.

In terms of age distribution, the majority of our employees fall within the 20-30 age bracket, constituting 39% of all the employees, followed by those aged between 31 and 40, which make up 32% of the total workforce.



In 2020 we took a fundamental step towards the improvement of the way we assist our employees to develop by creating an extensive Competency Framework, following a review of our core areas of training, recruitment, succession planning, and performance management. This framework provides a set of skills and behaviours which are aligned with the MGA's core values as well as the job-specific skills that are the key indicators for success of the different teams within the organisation. Our primary aim is to understand employees' current level of proficiency in any given competency and benchmark them against the expected levels according to the particular role, helping in the identification of development gaps. This screening mechanism will contribute towards the strategic identification of development needs that, while nurturing employees' skills, will assist the Authority in achieving its strategic objectives. A full list of training courses, conferences, and events participated in during 2020 can be found in Appendix 1.



| Ensuring effective day-to-day operations

Our success as an organisation depends on a number of factors. The MGA's core functions are directly linked to our primary vision of regulating the gaming industry. However, the support they receive from other functions is critical to our operations. The supporting functions act as the backbone, enabling the whole organisation to perform in a seamless manner.

Programme management and change agenda

This is one of the horizontal functions within the Authority that manages the change agenda of the MGA via the execution of strategic projects, assisting all the functional elements of the Authority. Without such a centralised coordinating role, the organisation would not be able to future-proof itself and meet the arising challenges.

With the coming into effect of the Authority's three-year Strategic Plan covering 2020-2022, a pool of 33 projects was earmarked to be implemented over the coming years, putting more emphasis on the necessary alignment between the various functions of the Authority to ensure that projects are implemented within a well-defined scope and the agreed timeframes. By the end of 2020, we closed off two (2) projects whilst another 19 are being worked on. Of the latter, 13 are full-scale active projects, the vast majority of which have reached a mature level in their implementation, while for the other six (6) only preliminary work has been carried out. These projects are expected to mature throughout 2021, during which a number are expected to be closed off. The remaining have not yet commenced. The concluded projects, as well as those carried over from 2020, have contributed to the Authority becoming a more resilient organisation.

Quality at source

We believe that any of our outputs across all functions of the Authority should reflect the high-quality culture we embrace. We have our support structures that enable us to manage quality systematically through the implementation of a Quality Management System (QMS) which promotes 'process thinking' and aims at continuous improvement while instilling a quality culture, based on top management's commitment to quality and the principle of quality at source.

Our outputs are channelled through one centralised system that ensures that all documentation is regularly re-evaluated and kept up to date, thereby contributing towards a common language among our employees, minimising cross-departmental barriers, and preventing fragmentation in our processes. Additionally, we carry out ad hoc thematic studies aimed at intercepting gaps within our operations, thus acting as a platform to further improve the Authority's role as an effective regulator.

During the year under review, over 200 quality control exercises were carried out, bringing the MGA closer to the vision of having a QMS aligned with best practices while educating and raising internal awareness on how to generate quality output. The mechanism promotes both a culture of continuous improvement within the Authority as well as the standardisation of Authority outputs.

Financial accounting, planning, and control

General corporate finance is an established structure within the Authority and is responsible for financial accounting, planning, and control, in conjunction with the preparation of management accounts and reporting. We strive to reduce manual processes with the aim of encouraging agile workflow and increasing accountability.



Moreover, we believe that increasing focus on identifying risks and managing them before they even affect the business is key in our day-to-day running of the Authority. A critical aspect in the collection of dues is the ability to operate effectively and streamlined, while strategically managing the end-to-end core processes underlying all tax activities while keeping a focus on managing risks. To this effect, in 2020 we tightened our monitoring processes and adopted a detailed risk matrix based on financial data, including compliance contributions and different levels of levies and Maltese tax, in line with the Authority's risk policies. The aim of this tool is to define the different levels of risk and assist management with decision-making.

The awareness of potential risks and the ability to manage them enable us to act more confidently on future business decisions and establish a workable way forward. Our main objective is to adopt a risk-based approach and eliminate threats and vulnerabilities by identifying their source, evaluating their impact, and devising plans to mitigate them. At the same time, identifying opportunities within disruptive events brings added value to the organisation, which can benefit by exploiting the positive aspects of a risky scenario. This would enable us to address or avoid the negative impact of any occurring risks and shift the focus on identified critical risks, which are a result of being a regulator of a dynamic industry.

Data-driven decision-making

The collection, analysis, and use of data is an important aspect in our day-to-day operations. The Authority collects and analyses data concerning remote and land-based gaming activities in Malta. This is conducted via various questionnaires, the outcome of which enables us to assess any changes in the gaming landscape regarding money wagered, gaming revenue, overall participation in gaming activities, and responsible gambling measures. The data is then further used for the monitoring of the industry and of the Authority's Key Performance Indicators and decision-making.

We believe in transparent and open communication. In view of this, on a six-monthly basis we share with the community at large a detailed summary of the performance of the Maltese gaming industry coupled with an outlook for the medium-term future, as well as information on the employment in the gaming industry in Malta. Additionally, on an annual basis, we also present an outlook of the existing skills gap in the gaming industry. These insights, while providing an overview of the performance of the market, also shape the decision-making processes of the Authority and serve as a market indicator for any gaming companies that consider relocating or expanding their business operations in Malta.

During 2020 we conducted a study to assess the impact and potential effects that COVID-19 had on the gaming industry in Malta. The feedback received helped us with implementing appropriate measures and raising industry concerns to the Government. Given the importance that data and research play in our decision-making processes, we decided to step up on this front and formulate an organisation-wide Data Strategy, with a view to further enhance a data-driven culture.

Corporate affairs

Through our corporate affairs function, we manage our local and international public presence and image to ensure that they reflect our role and function, as well as the regulatory ethos we embrace. With over 11,000 followers on social media platforms, all with high engagement rates, we need to ensure that our corporate affairs strategy reflects the message we want to get across, and use various mediums to reach out to different audiences.



What to expect in 2021

2021 will be characterised by the continuing implementation of the Corporate Strategic Plan 2020-2022, which will be in its second year of execution. There will be an initial review and validation of the said Strategic Plan, an exercise during which it is expected that:

- ongoing active projects are reaffirmed and realigned, with the commitment to close them off in the short term;*
 - projects already captured in the said Strategic Plan and which remain outstanding are validated and repositioned for implementation, spreading the timeframe until the year 2023, with the possibility that some outstanding projects may be considered no longer desirable and are as such rescinded; and*
 - new strategic projects are identified for consideration for inclusion in the Strategic Plan.*
-

2021 shall see the formulation of the Authority-wide Data Strategy as per the MGA's Strategic Plan for 2020-2022. As part of this initiative, the Authority will be assessing its current data state and organisational data needs as well as identifying gaps which need to be addressed. This will shape the future of the Authority in terms of embracing a data-driven culture across its various functions.

As part of our core business, we will continue revisiting and streamlining our regulatory processes with the aim of strengthening the robustness of our monitoring and supervisory mechanisms that further enhance our oversight, enabling better regulation while ensuring that gaming is fair, transparent, and free from ML/FT activities. We are aiming to improve our way of conducting business to further enhance the internal efficiencies in our processes, systems, and procedures. To this end, during 2021 we envisage implementing a number of changes and enhancements to our CRM system as well as to our internal portal and data repository. These improvements will enable us to provide a stable and reputable regulatory environment, whilst ensuring that we are as efficient as possible and remaining sufficiently flexible to avoid stifling innovation, be it by start-ups or by established players.

Within this context and in light of the continuous changes in the gaming industry, it is imperative for us to keep abreast with regulatory and technological developments, both locally and on an international level, always being a step ahead in the adaptation and implementation of new technologies to ensure that the Authority remains a relevant and dynamic regulator. Our efforts within this ambit will be reinforced by the carrying out of a sectoral risk assessment on AML/CFT in relation to the Maltese gaming industry, which shall provide insights on the vulnerabilities and high-risk factors affecting the local gaming scene and how these impact on the Authority's functions.

In line with our stated aim of regulating in the most proportionate and effective manner, 2021 shall see a significant change in our onboarding process for new licensees. The process is to be streamlined and redesigned in a manner that ensures parallel evaluations on the different pillars of the application process. This redesign is intended to enable the MGA to more efficiently use its resources, which will lead to less time being wasted by the Authority and applicants alike. At the same time, our resources can be used to delve more deeply into matters of regulatory importance, such as through thorough source of funds assessments.

During 2021 we shall also continue improving our compliance procedures. The plan is to further invest in our compliance checks and shift towards a structured approach of identification and response to non-compliance by authorised persons. The compliance audit revamp initiated in 2020 will continue during the year ahead. This will ensure that we undertake more efficient and targeted checks while reducing any excessive compliance costs for our licensees which do not give added regulatory value.

Additionally, more focus shall continue to be placed on responsible gambling by carrying out targeted responsible gaming audits, aiming at gaining a profound understanding of the systems and controls held by operators, enabling us to better safeguard player interests and funds in line with our efforts to protect players.

From an AML perspective, we aim to increase the number of examinations conducted in line with the Supervisory Plan as set out to us by the FIAU, to continue improving the quality and timeliness of inspections carried out while ensuring that we continue to be of support to the industry and contribute to the fight against ML/FT.

On an international collaboration front, we will continue to work towards strengthening bilateral relations with our foreign counterparts, as well as monitoring all international and EU legislative and non-legislative initiatives that could somehow impact the gaming industry and taking an active role in relation thereto.

We also plan to remain at the forefront when it comes to sports integrity and continue to be an important stakeholder in the continuous fight against the manipulation of sports competitions. We look forward to continue gathering, formulating, and disseminating betting intelligence and accompanying data, reinforcing our interactions with relevant stakeholders.


Furthermore, we shall be implementing a data sharing mechanism via the LMRS that allows for more secure communication of requests for information from the Authority and to the industry and facilitating any replies thereof.

We are also committed towards ensuring that our employees continue to work in a positive, high-performing culture. It is our objective to continuously support our employees, not just by cultivating a positive atmosphere but also by ensuring that they keep developing their personal and professional skills to their and the Authority's benefit.





The Statistical Performance of the Maltese Gaming Industry in 2020



The following section presents the performance of the gaming industry regulated by the MGA during 2020. This is presented in terms of the economic value added, employment, and other results attained by the operators licensed under the Maltese jurisdiction.

| Methodology

1. These statistics relate to the gaming industry in Malta licensed by the MGA. The sources used for statistical compilation are:
 - Industry Performance Returns (IPR/Return) submitted by operators in terms of Article 7(2)(d) of the Gaming Act (Chapter 583 of the Laws of Malta)
 - Information provided by operators through specific questionnaires and correspondence with the MGA
 - Financial information provided by operators to the MGA

2. Unless otherwise stated, figures are representative of the position as at the end of December 2020.

3. The data presented in this report are based on the IPRs, which were disseminated amongst all the companies that are licensed by the MGA. In order to collect this data, licensed companies were asked to answer a set of questions pertaining to the Maltese-licensed activity. The response rate at the cut-off date for compiling the review was 98%. The remaining data has been estimated by the Authority in order to provide a clear picture of the Maltese gaming industry.

The data collection exercise was followed by a data cleaning process to ensure the consistency of the results. In some cases, operators were contacted to clarify their responses. Omitted data were imputed through the appropriate techniques, and the answers to every question were analysed. Several imputation methodologies and weighting techniques were adopted to 'fill-in' any missing information. Initial sample results were grossed up to obtain population data for all Maltese-licensed activities through appropriate weighting techniques.

4. The new regulatory framework became applicable for online gaming operators as of 1 August 2018, whereas land-based operators became subject to new laws as of 1 January 2019. The said framework replaced the multi-licence system with a system which distinguishes between a B2C licence and a B2B licence, covering different types of activities across multiple distribution channels. In order to provide comparable data sets for the online gaming sector, all licences of a B2C nature under the previous legislative framework, namely Class 1, Class 2, Class 3, and Skill Game B2C were grouped into the "B2C - Gaming Service Licence" category whilst the licences containing B2B activity elements, namely Class 4 and Skill Game B2B, were grouped into the "B2B - Critical Supply Licence" category.

5. Under the current licensing regime, operators are no longer required to apply for multiple licences to offer different games, unless they wish to offer both B2C and B2B services. Licensees are however required to apply for the game type approval. The Gaming Act establishes four game types, as follows:

- Type 1 - Games of chance played against the house, the outcome of which is determined by a random generator, which includes casino type games, such as roulette, blackjack, baccarat, poker played against the house, lotteries, secondary lotteries, and virtual sports games.
- Type 2 - Games of chance played against the house, the outcome of which is not generated randomly, but is determined by the result of an event or competition extraneous to a game of chance, and whereby the operators manage their own risk by managing the odds offered to the player.
- Type 3 - Games of chance not played against the house wherein the operator is not exposed to gaming risk, but generates revenue by taking a commission or other charge based on the stakes or the prize, and which include player versus player games such as poker, bingo, betting exchange, and other commission-based games.
- Type 4 - Controlled skill games as per Regulation 8 of the Gaming Authorisations Regulations.

These changes further necessitated moving away from the collection of player account data (i.e. the number of active and new active player accounts) by type of game offered towards the collection of data at the level of the reporting entity.

6. The horizontal approach to the licensing of gaming services also extends to the manner in which such services are subject to taxation. Under the new law, dues are based on the GR generated by the operators, thus abolishing any dues previously payable as a fixed fee. The new law also caters for a compliance contribution. Furthermore, B2B operators (previous holders of Class 4 and/or Controlled Skill Game B2B licences) pay an annual licence fee in lieu of compliance contributions and gaming taxes.
7. The MGA moved towards a standardised concept of GR for the computation of gaming tax and compliance contribution. Gaming operators are now requested to submit to the Authority the GR data as defined by the **Gaming Licence Fees Regulations (S.L. 583.03)** and the **Directive on the Calculation of Compliance Contribution (Directive 4 of 2018)**, instead of Gross Gaming Revenue.
8. In terms of the compliance contribution figures reported in this document, the following should be noted:
 - For the land-based sector (excluding the National Lottery), the compliance contribution for 2019 and 2020 included the licence fees and levies as well as a 5% consumption tax on customers located in Malta, in line with the Gaming Tax Regulations (S.L. 583.10). For 2018, the gaming tax and licence fees were reported in line with the relevant regulations.
 - For the National Lottery, the gaming tax was reported in line with the relevant regulations for the years 2018, 2019, and 2020.
 - For online gaming, the compliance contribution for the years 2018, 2019, and 2020 included licence fees and a 5% consumption tax on customers located in Malta, in line with the Gaming Tax Regulations (S.L. 583.10).
9. The employment figures detailed in this report refer to Full-Time Equivalent (FTE) jobs as at the end of each reporting period provided by the gaming operators (including both land-based and online companies holding B2C and B2B licences) in the IPRs submitted to the MGA. The online gaming figures relate to employees working directly on MGA-licensed activities. The methodology for the collection of the employment figures for the online gaming sector has been revised as from 2018. For this reason, the employment figures should not be compared with those of previous years since the number of online gaming employees reported prior to 2018 also includes the number of outsourced/self-employed individuals directly engaged by gaming companies.
10. The direct contribution of the gaming industry to the Maltese economy relates to gambling and betting activities (NACE 92) in accordance with the European industrial activity classifications. The economic contribution is derived from National Statistics Office (NSO) data which covers businesses operating in the Maltese territory which would also include firms that are not licensed by MGA. At the industry level, gambling and betting activities in Malta comprise land-based casinos, gaming parlours, lotto receivers, the National Lottery operator, and online gaming companies (excluding activities of B2B operators).
11. The statistical figures reported for the previous periods have been revised to reflect any changes reported after their publication.

Introduction

The total Gross Value Added (GVA) generated by the gaming industry during 2020 is estimated at €924 million¹, representing around 8% of the economy's total. Apart from its direct contribution to the economy, gaming contributes to the generation of value added through input-output linkages with other major sectors, including professional services, financial and ICT activities, hospitality and catering services, distributive trades, and real estate. Indeed, when the indirect effects are included, the contribution of the industry to the economy's value added in 2020 is estimated to have stood at 10.2%.

The foregoing observations reflect a benchmark revision in National Accounts data carried out by the NSO in 2020, which involved a number of enhancements, including the incorporation of new data sources, the adoption of refined estimation methods, and the cross classification of fixed assets by industry and by asset. These led to changes in the GVA estimates of all NACE categories, including the gaming industry. Indeed, the revised GVA figures for the gaming sector, shown in Table 1, are lower when compared to figures reported in previous Annual Reports. While the revised GVA estimates no longer place the gaming sector with the top three contributors to economy value added, it is to be duly noted that during an exceptional year where the total economy value added fell by 4.3%², the gaming industry has recorded one of the highest growth rates in value added relative to other sectors, which growth rate is equivalent to 15.3%³.

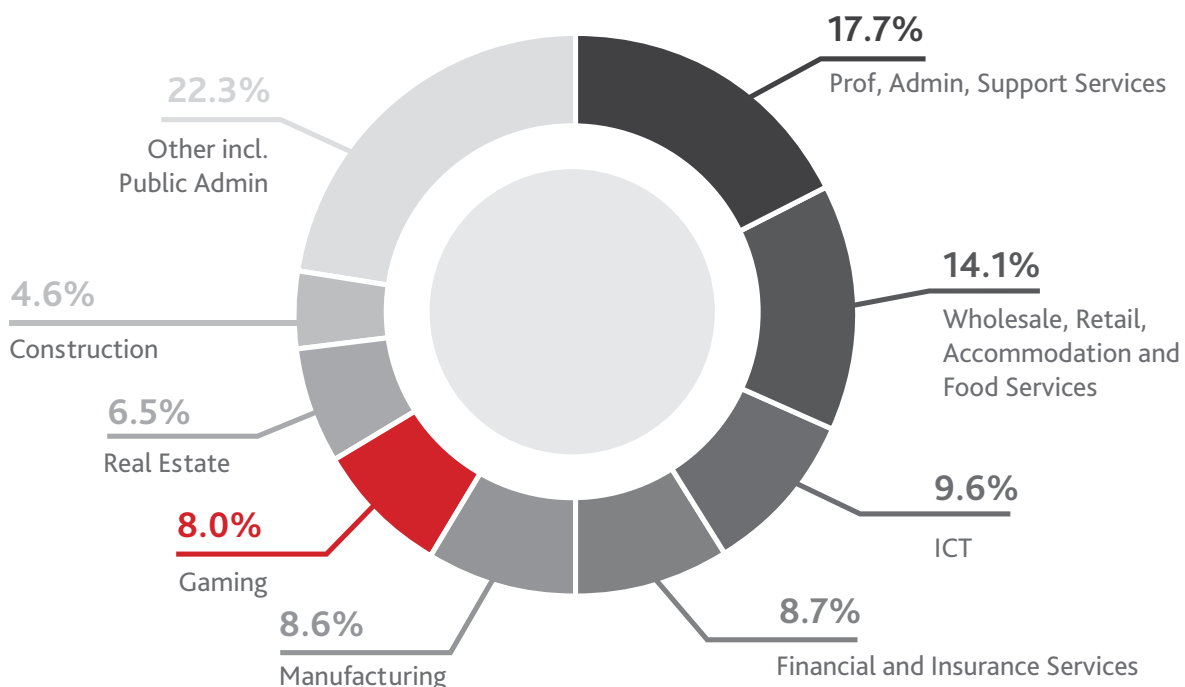


CHART 1: CONTRIBUTION OF THE GAMING INDUSTRY TO VALUE ADDED
SOURCE: NATIONAL STATISTICS OFFICE

Note: The total percentage does not equal 100% due to rounding of figures.

1. National Statistics Office.
2. National Statistics Office NR040/2021.
3. National Statistics Office.

	2018	2019	2020
Number of licences (Note 1)	286	298	328
Number of companies in operation (Note 1)	283	294	323
Gross Value Added (€m) (Note 2)	797	802	924
Employment (FTE jobs)	6,794	7,417	8,292
Online	5,950	6,593	7,557
Land-Based	844	824	735
Compliance contribution, licence fees, levies, and consumption tax (€m)	73.9	80.4	73.5

TABLE 1: HEADLINE INDICATORS OF GAMING INDUSTRY ACTIVITY

Note 1: The number of licences, companies in operation (incl. both online and land-based), and employment figures relate to stock as at the end of December and refer solely to MGA-licensed entities.

Note 2: The GVA figures are being updated in line with the revision made during 2020 in the computation of GVA for NACE 92 by the National Statistics Office.

As at the end of 2020, the number of companies licensed by the MGA, including both online and land-based entities, stood at 323, holding a total of 328 gaming licences and 357 game type approvals to offer various types of games under the B2C licence. During the twelve-month period of 2020, the MGA collected a total of €73.5 million in terms of compliance contribution fees, levies, and consumption tax.

It has been estimated that as at the end of 2020, the gaming industry directly generated almost 8,300 jobs in FTE terms, with 91.1% of these employees engaged in the online sector. The notable growth in employment within the online gaming sector during 2020 is attributed to planned investments and recruitment by a small number of large firms which went ahead with their projects despite the COVID-19 pandemic as well as new companies that started operating in Malta. In addition, when considering the employment generated by activities in or associated with the gaming industry, the total employment in the gaming sector in Malta during 2020 is estimated to be 12,398, approximately representing 4.7% of the total workforce. These indirect activities include FTEs who were working in Malta either on the activities licensed by another jurisdiction, with MGA-licensed firms, or providing direct services to MGA-licensed firms while being employed by another associated/related company.

Gaming Industry Outlook

The COVID-19 pandemic has affected the gaming industry in terms of its performance, competitive landscape, and future outlook. Indeed, around 10% of the operators in the B2C sector expect a drop in gaming revenue in 2021, with almost 4% of the operators projecting a drop in gaming revenue which exceeds 30%. In contrast, only 2.6% of the operators in the B2B sector expect gaming revenue to fall in 2021.

While the industry has been and will continue to be affected by the pandemic, the gaming sector has also distinguished itself as one of the economic pillars that has been most resilient to the changes brought about by the pandemic. This is evident from the impact on industry employment which, as indicated in Table 1, has recorded a growth rate of almost 12% in 2020. Furthermore, the survey indicates that only 1.6% of the B2C operators and 0.9% of the B2B operators expect a reduction in employment in 2021. The resilience of the sector can be chiefly attributed to its take-up of sophisticated digital systems as well as to the sector's ability to adapt to changing circumstances by innovating and placing more focus on certain products, such as virtual sports which replaced bets on live sport events.

The survey also explored the expectations of the industry on costs including legal and professional fees, travelling and entertainment, and marketing expenditure. On average, around 26% of the B2C operators and 33% of the B2B operators do not expect any significant changes in costs. Nonetheless, around 25% of the B2C operators and 23% of the B2B operators expect costs to increase by up to 10%, with most of the B2C operators projecting an increase in marketing expenditure and most of the B2B operators anticipating an increase in legal and professional fees.

Looking forward, the operators in the industry expect the situation to improve by 2022, such that there are more positive prospects for the performance of the sector, particularly in terms of gaming revenue. The pandemic has accelerated the growth in technological innovations and has led the industry to explore new ways of distributing and delivering content to customers, such as through mobile and cloud-based gaming platforms. The local gaming industry is expected to continue to benefit from these trends, and to experience activity growth within its jurisdiction on the strength of its regulatory environment and its innovative outlook.

The Maltese Government remains committed to ensuring that Malta continues to be an attractive place of primary establishment and that the gaming industry has the resources and capabilities it needs to remain resilient. During the year ahead, the MGA aims to consolidate its commitment to regulating the sector to ensure that the gaming sector remains fair, transparent, and secure against crime and corruption. For the MGA, being a reputable regulator is key to ensuring that the evolution of the gaming industry continues to be in full compliance with its own regulations.

The gaming sector is expected to continue to play a fundamental role in Malta, by directly generating employment and value added, attracting foreign investment and human capital, diversifying the economic base, and contributing to the growth of related activities. While the challenges associated with the COVID-19 pandemic as well as the evolving international regulatory requirements are expected to affect the future outlook of the gaming sector, on balance, the expectations for the gaming industry in Malta point towards continued growth.



| Gaming Premises - Casinos

In March 2020, all land-based casinos in Malta were ordered to temporarily close their venues in terms of Legal Notice 76 of 2020, entitled Closure of Places Open to the Public Order 2020, in order to combat the spread of COVID-19. The Maltese Government lifted the closure of casinos as from 5 June 2020, imposing certain restrictions on operators to ensure the safety of customers and casino employees.

During 2020, there were four licensed casinos in Malta: Dragonara Casino, Portomaso Casino, and Casino Malta, located in the central part of the country, and Oracle Casino, located in the north.

1. Gaming Premises - Casinos: Game Types

The new licensing regime categorises all games that can be offered by the licensees into four different game types⁴. An operator can offer one or multiple game types. As at the end of 2020, all casino licensees were in possession of an approval to offer Type 1, Type 2, and Type 3 games, as presented in Table 2 below. To date, no licensed casinos provide games of skill under Type 4.

	Type 1	Type 2	Type 3	Type 4
Total	3	3	3	0

TABLE 2: GAMING PREMISES - CASINOS - GAME TYPES (END-DECEMBER 2020)

2. Gaming Premises - Casinos: Number of Gaming Devices

As at the end of December 2020, the total number of gaming devices in the casinos stood at 930, including 913 slot-type gaming machines and 17 sports betting machines, as shown in Table 3 below.

	end-2018	end-2019	end-2020
Slot-type gaming devices	909	937	913
Sports betting machines	17	17	17
Total	926	954	930

TABLE 3: GAMING PREMISES - CASINOS - NUMBER OF GAMING DEVICES



4. For more information on the game types, please refer to Point 5 of the Methodology.

3. Gaming Premises - Casinos: New Players' Registrations

Casino operators are required to register every new-to-the-casino player who enters their premises. Between January and December 2020, operators reported a total of 55,676 registrations in their establishments, part of which represent multiple registrations by a single player in more than one casino. The number of new registrations was significantly lower when compared with the previous reporting periods due to the nearly 12-week closure of all casinos in Malta.

	2018	2019	2020
Total	147,674	175,443	55,676

TABLE 4: GAMING PREMISES - CASINOS - NEW PLAYERS' REGISTRATIONS

4. Gaming Premises - Casinos: Players' Visits

During the year under review, the total number of visits to local casinos stood at 471,862, a considerable 49.8% decrease when compared with the corresponding period of 2019.

	2018	2019	2020
Total	934,612	940,766	471,862

TABLE 5: GAMING PREMISES - CASINOS - PLAYERS' VISITS

When analysing the number of visits reported on a monthly basis, it could be noted that once the COVID-19 restrictions imposed on all gaming venues by the Government were lifted on 5 June 2020, the number of visits registered in the casino sector recovered but remained well below those in previous years. Chart 2 below presents the number of visits by month registered in the casino sector between 2018 and 2020. This reflects the subdued tourism activity in the latter year.

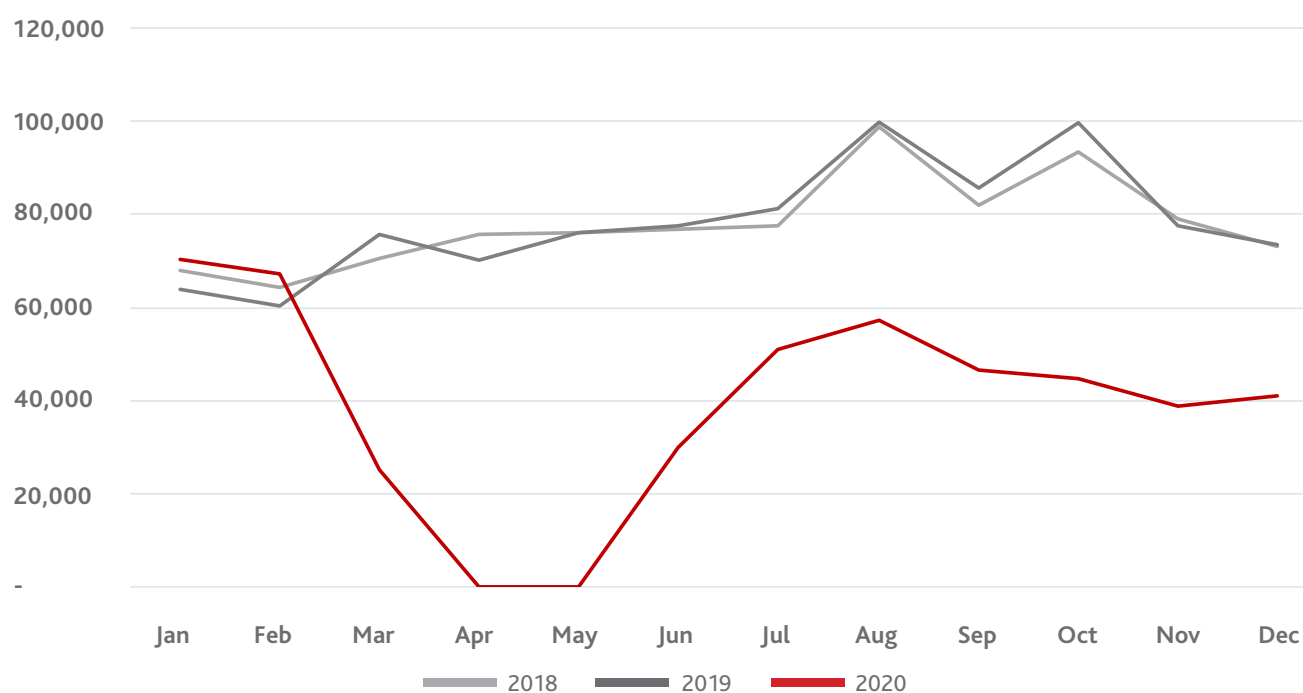


CHART 2: GAMING PREMISES - CASINOS - PLAYERS' VISITS

Junket Players

During the period under review, local casinos hosted 642 junket players⁵. The closure of casinos, travel restrictions, and lockdowns happening in various countries caused by COVID-19 have had a substantial impact on the number of junkets visiting Maltese casinos, resulting in a 56.9% decrease when compared with 2019. Of all junket players hosted by casinos during the period under review, 28.5% referred to in-house junkets whilst the remaining players were brought to the casinos by junket leaders.

	2018	2019	2020
In-house	811	567	183
With junket leader	1,500	923	459
Total	2,311	1,490	642

TABLE 6: GAMING PREMISES - CASINOS - NUMBER OF JUNKET PLAYERS

5. Gaming Premises - Casinos: Players' Profile

Nationality

Due to COVID-19 restrictions and travel bans, fewer foreign players visited Maltese casinos. Visits by non-Maltese players decreased by 59.7% when compared with the twelve-month period of 2019 and accounted for 45.3% of the total visits recorded during 2020.

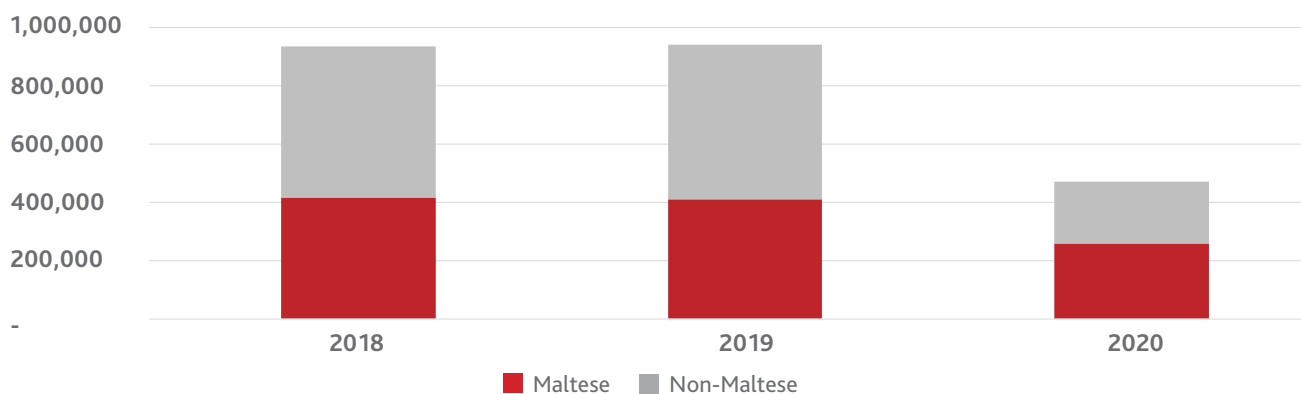


CHART 3: GAMING PREMISES - CASINOS - PLAYERS' PROFILE BY NATIONALITY

Demographic Group

During 2020, a decline was registered across visits by players of all age groups, in line with the overall decrease in the number of visits. Visits by persons aged 65 and over continued to constitute the largest demographic category of visitors to casinos, accounting for 34% of the total visits. Visitors from the 35–54 age bracket constituted 25% of the visits, this being the second largest category. Visits by players from the 55–64, 25–34, and 18–24 age brackets accounted for 17.8%, 16.4%, and 6.8% of the total visits.

5. The arrangement, the purpose of which is to induce any person residing outside Malta, selected or approved for participation therein, to come to a gaming premises in possession of a concession issued by the Government for the purpose of playing licensable games and pursuant to which, and as a consideration for which, any or all of the costs of transportation, food, lodging, and entertainment for the said person are directly or indirectly paid for by the authorised person operating the gaming premises.

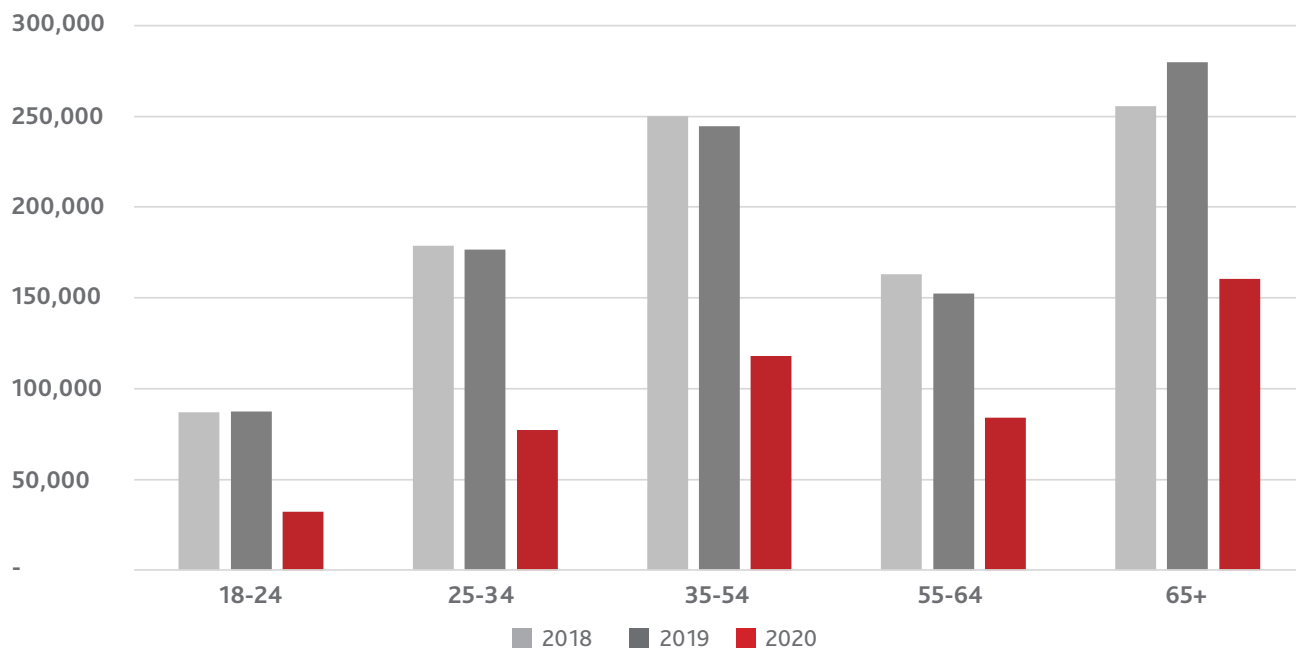


CHART 4: GAMING PREMISES - CASINOS - PLAYERS' PROFILE BY AGE GROUP DISTRIBUTION

Note: The legal age to enter casinos in Malta is 25 for Maltese and 18 for non-Maltese players.

It is worth noting that visits by female players accounted for 39% of all visits. This ratio has decreased by nearly five percentage points when compared with 2019.

6. Gaming Premises - Casinos: GR

The closure of the casinos during the first half of 2020 also resulted in a decline of 41.8% in the GR generated by the sector when compared with the corresponding period of 2019. Almost the entire GR was generated from Type 1 games, as shown in Chart 5 below.

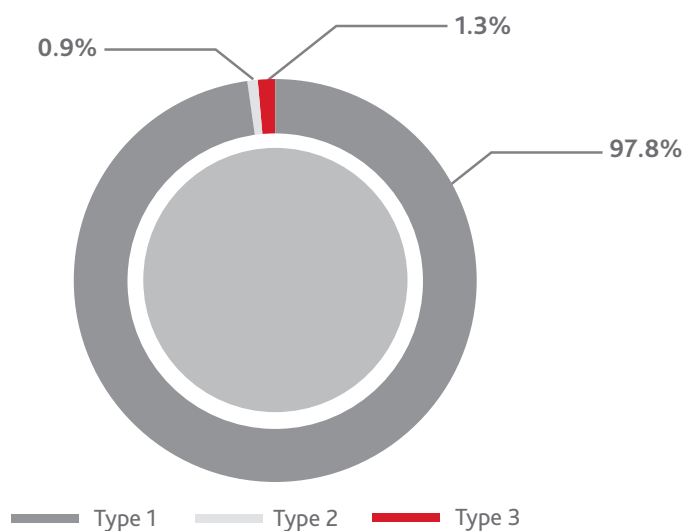


CHART 5: GAMING PREMISES - CASINOS - GR DISTRIBUTION BY GAME TYPE

The GR from the limited junkets activity stood at 9.6% of the total GR reported during 2020. In percentage terms, the GR generated from junket activity remained at par with the activity reported in the previous year.

Average GR per Visit

When compared with 2019, during the year under review, the average GR per visit rose from €55.1 to €63.9, as shown in Table 7 below. This indicates that the significant drop in visitors primarily affected the lower-spending categories.

	2018	2019	2020
Total [€]	50.7	55.1	63.9

TABLE 7: GAMING PREMISES - CASINOS - AVERAGE GR PER VISIT

7. Gaming Premises - Casinos: Compliance Contribution

During the course of 2020, the MGA collected a total of €10.5 million in dues (including compliance contribution, licence fees, levies, as well as a 5% consumption tax on customers located in Malta) owed from the casino operators. The significant drop as compared to previous years is commensurate with developments in activity.

	2018	2019	2020
Total [€]	17,581,552	17,403,045	10,486,001

TABLE 8: GAMING PREMISES - CASINOS - COMPLIANCE CONTRIBUTION

Note: The figures for the years 2019 - 2020 include the compliance contribution fee, licence fees, levies, and 5% consumption tax paid by the casino licensees in line with the Gaming Tax Regulations (S.L. 583.10). For 2018, gaming tax and licence fees were reported in line with the Schedule of the Gaming Act (1998).

8. Gaming Premises - Casinos: Employment

As at the end of this reporting period, the total number of FTE direct employees working in casinos stood at 489, a decrease of 16% when compared with the figure reported as at the end of 2019. This decrease can be explained by the closure of the casinos during the first half of the year as well as the usual fluctuations in the number of staff needed for the major gaming events organised by the casinos.

	end-2018	end-2019	end-2020
Total	611	582	489

TABLE 9: GAMING PREMISES - CASINOS - EMPLOYMENT (FTE)

The proportion of male employees remained at par with the levels reported as at the end of 2019, to reach 58.4% as at the end of December 2020. Furthermore, the share of non-Maltese employees declined by just above two percentage points to 62.2% from 64.4% as reported at the end of 2019.



I Controlled Gaming Premises

In March 2020, all controlled gaming premises were ordered to close in terms of Legal Notice 76 of 2020, entitled Closure of Places Open to the Public Order 2020, in order to combat the spread of COVID-19. The restrictions were lifted as from 22 May 2020 and gaming parlours were allowed to open solely to provide sports betting through the till. Clients were not allowed to remain inside the gaming premises after availing themselves of such sports betting service. From 5 June 2020, all other services could be offered by the controlled gaming premises operators.

1. Controlled Gaming Premises: Number of Outlets

By the end of 2020, the number of approved controlled gaming premises⁶ in Malta totalled 60, increasing by four over the previous year. They were spread across 32 localities in Malta and Gozo. The highest number of outlets were located in the Southern Harbour and Northern Harbour Districts (as defined in Appendix 2), which, by the end of 2020, had 22 and 19 approved premises respectively. These regions also feature a relatively high population value and density, and significant commercial activity that is also of a touristic nature.

There are no specific limits on controlled gaming premises per locality, but the Authority ensures that approvals of licences and premises are in line with legal restrictions to safeguard and protect minors and the general public. The following table presents the total number of controlled gaming premises for all the licensed operators.

	end-2018	end-2019	end-2020
Total	52	56	60

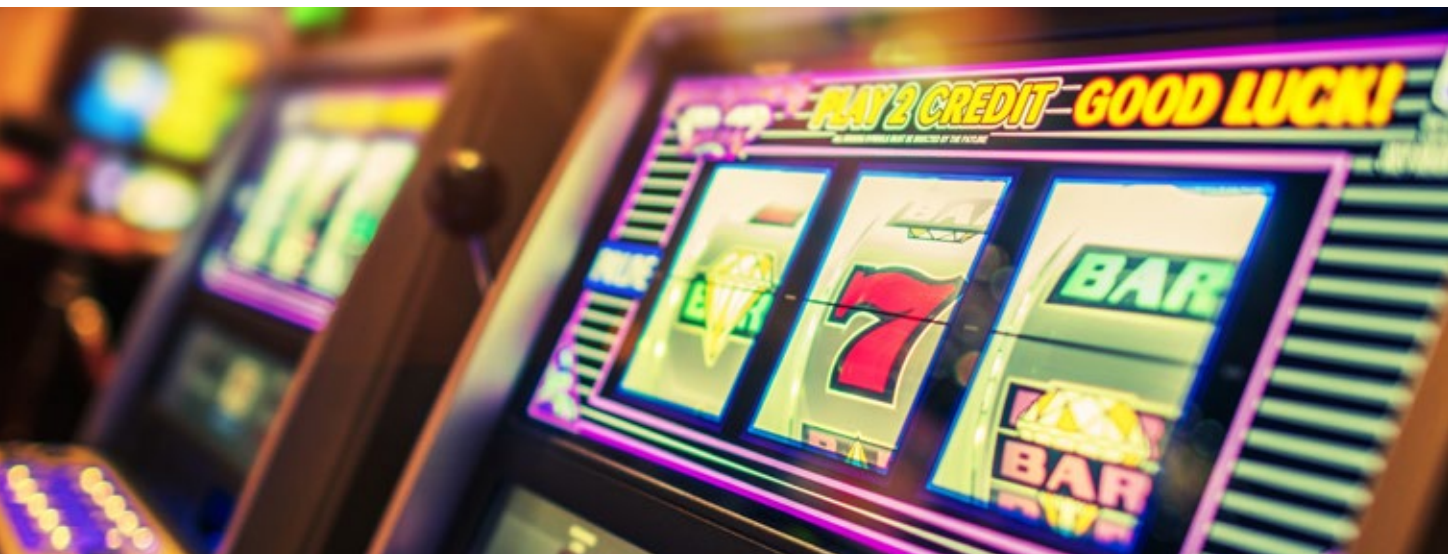
TABLE 10: CONTROLLED GAMING PREMISES - NUMBER OF OUTLETS

2. Controlled Gaming Premises: Game Types

By the end of 2020, all seven of the licensees operating the 60 controlled gaming premises were in possession of an approval to offer Type 1⁷ games.. Furthermore, operators were in possession of Type 2 and Type 3 approvals, as presented in Table 11 below.

	Type 1	Type 2	Type 3	Type 4
Total	7	6	2	0

TABLE 11: CONTROLLED GAMING PREMISES - GAME TYPES (END-DECEMBER 2020)



6. Controlled gaming premises are premises intended to host or operate one or more gaming devices. These do not include premises in which gaming is carried out in virtue of a concession by the Government, or premises in which the only gaming that is carried out consists of tombola games.

7. For more information on the game types, please refer to Point 5 of the Methodology.

3. Controlled Gaming Premises: Number of Gaming Devices

The number of licensed gaming devices has increased to 521 by the end of 2020. This has brought the average number of gaming devices per outlet to 8.7, which is in line with the regulations limiting the number of devices per outlet to no more than 10.

	end-2018	end-2019	end-2020
Total	416	474	521
Average per Controlled Gaming Premises	8	8.5	8.7

TABLE 12: CONTROLLED GAMING PREMISES - NUMBER OF GAMING DEVICES

4. Controlled Gaming Premises: Players Visits

Between January and December 2020, the number of visits to controlled gaming premises decreased by 20.9% when compared with the same period of 2019, to stand at 632,533. The considerable drop in the number of visits resulted from the restrictions imposed due to COVID-19 and the temporary closure of gambling premises. It was in general terms however less pronounced than in the case of casinos, as this segment is less exposed to tourism activity and serves a larger portion of the resident population, including persons with a foreign nationality.

	2018	2019	2020
Total	736,662	799,420	632,533

TABLE 13: CONTROLLED GAMING PREMISES - NUMBER OF VISITS

When analysing the number of visits reported on a monthly basis, it could be noted that after the COVID-19 restrictions imposed on all gaming venues by the Government were lifted for the gaming parlour sector on 22 May 2020, the number of visits registered in these gaming establishments immediately reached the usual levels that were reported in the previous years. Chart 6 below presents the number of visits by month registered in the gaming parlour sector between 2018 and 2020.

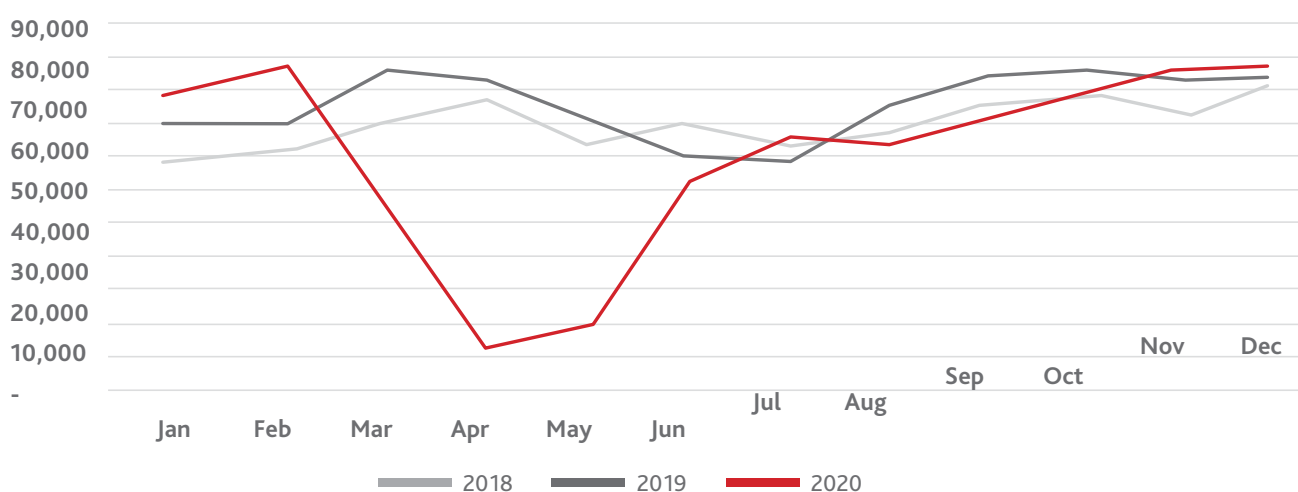


CHART 6: CONTROLLED GAMING PREMISES - NUMBER OF VISITS

Number of Visits by Locality

For statistical purposes, the Maltese Islands are divided into six districts, namely Southern Harbour, Northern Harbour, South Eastern, Western, Northern, and Gozo and Comino (see Appendix 2).

During 2020, the highest number of players' visits took place in the Northern Harbour and Southern Harbour districts, accounting for 32.5% and 28.4% of all visits respectively. These two districts are also characterised by the highest number of outlets, 19 and 22 respectively, which explains the levels of visits. The remaining visits were distributed between the following districts: Northern (17.8%), South Eastern (12.5%), Gozo and Comino (4.6%), and Western (4.3%).

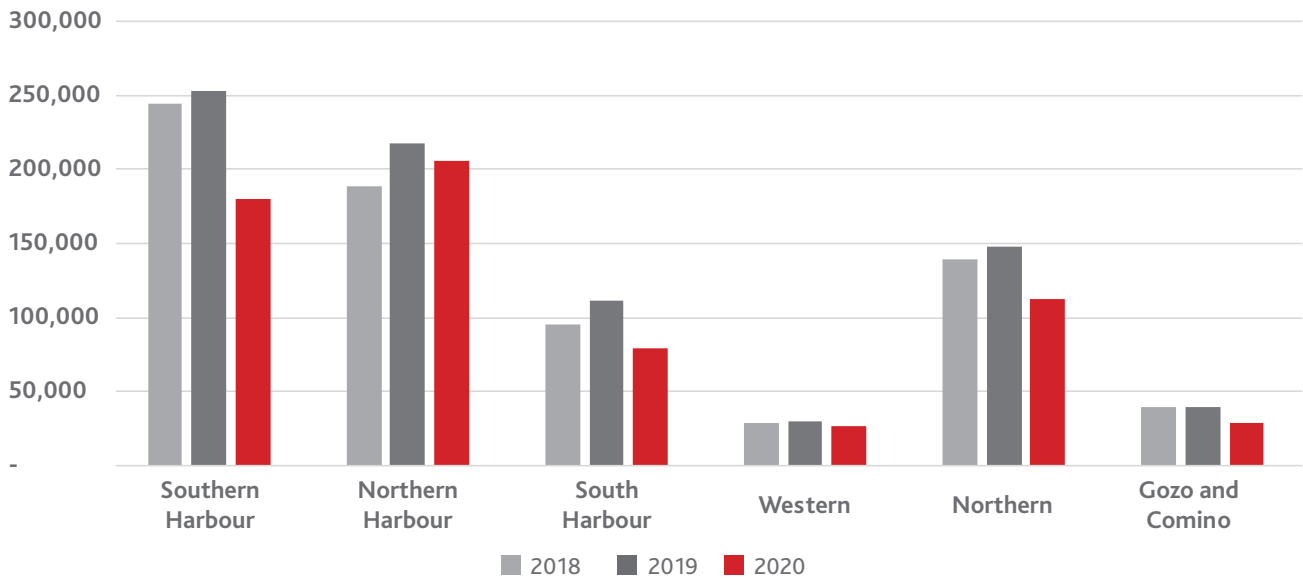


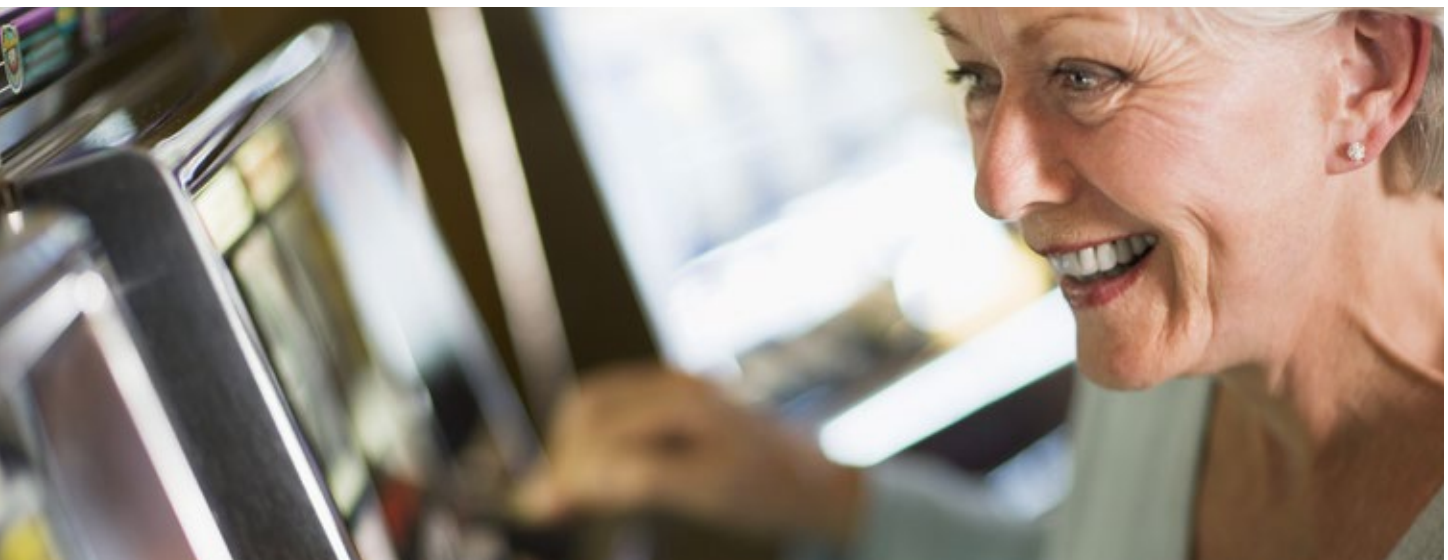
CHART 7: CONTROLLED GAMING PREMISES - NUMBER OF VISITS BY DISTRICT

5. Controlled Gaming Premises: New Players' Registrations

During the year under review, there were a total of 5,601 new registrations at controlled gaming premises. This number was significantly lower than those registered over the past years due to the temporary closure of all gambling outlets resulting from the Government restrictions to combat the COVID-19 pandemic.

	2018	2019	2020
Total	12,561	8,804	5,601

TABLE 14: CONTROLLED GAMING PREMISES - NEW PLAYERS' REGISTRATIONS



6. Controlled Gaming Premises: Players' Profile

Nationality

The share of visits to gaming parlours by Maltese players stood at 50.6% during 2020, a drop of seven percentage points when compared to the ratio registered in 2019. The considerably lower ratio of visits by Maltese players, which was also noted for 2019, reflects the changing demographic composition of the resident population in Malta.

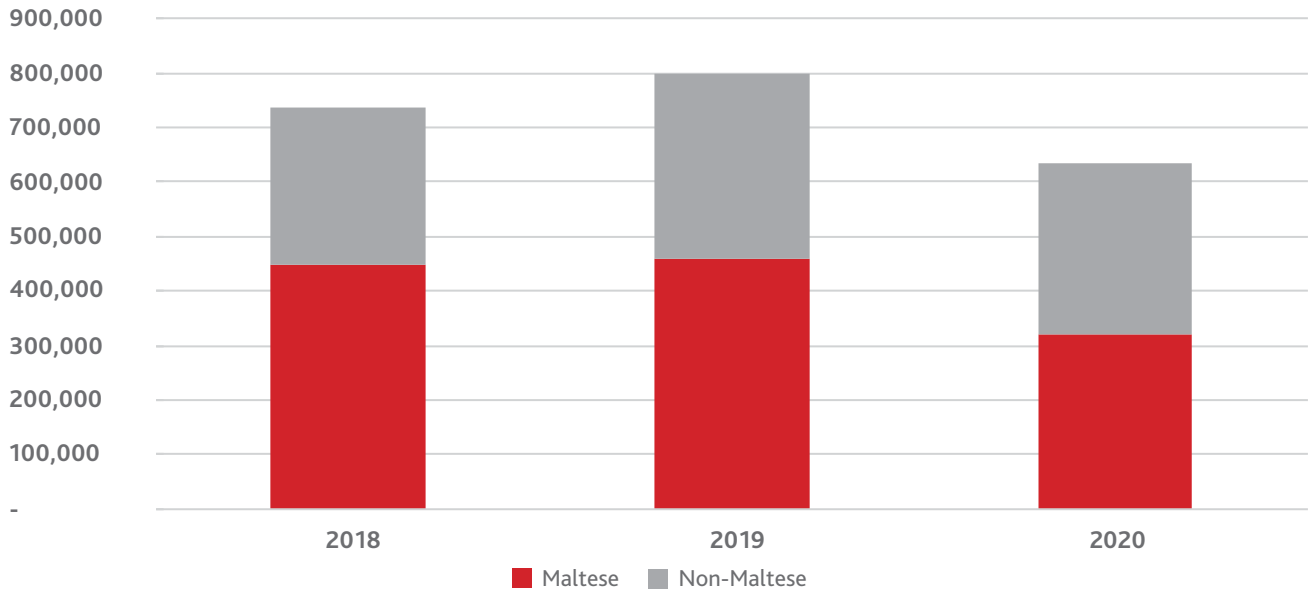


CHART 8: CONTROLLED GAMING PREMISES - PLAYERS' PROFILE BY NATIONALITY

Demographic Group

Between January and December 2020, visits by players of all age groups declined in line with the overall decrease in the number of visits to gaming parlours. Visits by players from the 35–54 and 25–34 age brackets continue to constitute the largest demographic category of visitors to gaming premises, accounting for 33.8% and 33.3% of all visits respectively. Visits by players from the 18–24, 55–64, and 65+ age brackets accounted for 12.1%, 10.9%, and 9.9% respectively of the total visits registered during 2020.

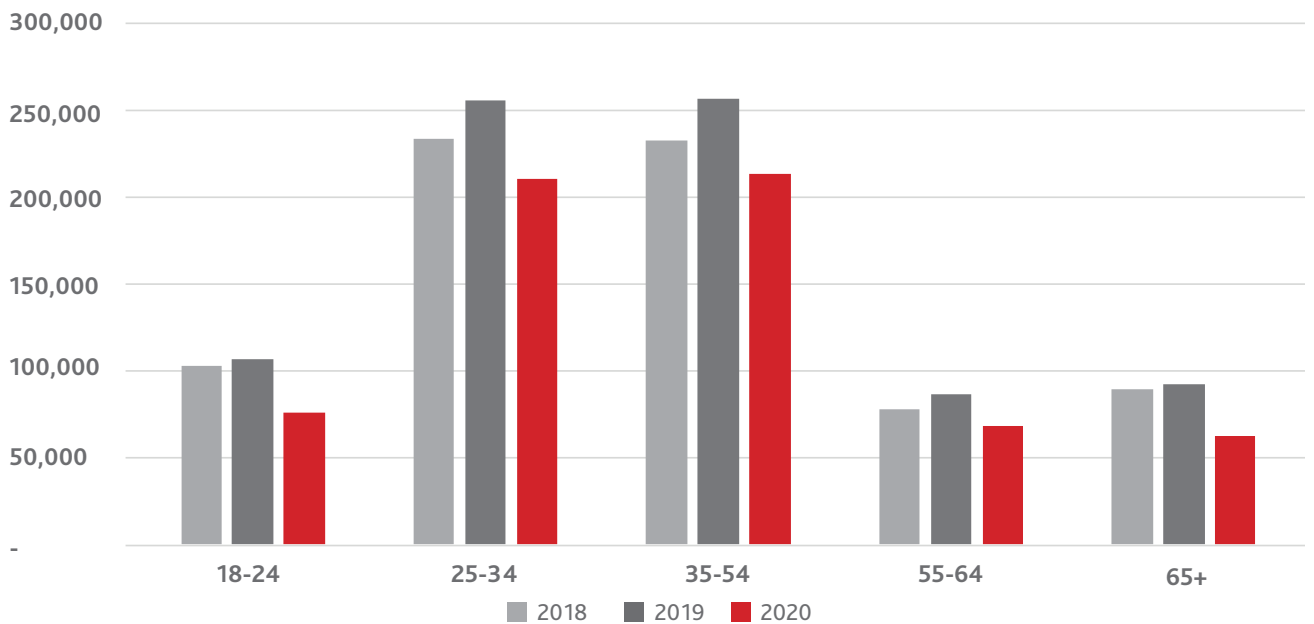


CHART 9: CONTROLLED GAMING PREMISES - PLAYERS' PROFILE BY AGE GROUP DISTRIBUTION

In particular, controlled gaming premises are mostly popular with males, whose visits accounted for more than 92% of the total visits registered during 2020.

7. Controlled Gaming Premises: GR

During the twelve-month period of 2020, GR generated by the sector declined by 26% when compared to 2019, due to the closure of all outlets for nearly two months. Out of the total GR generated during the reporting period, 52.8% of the GR was generated from Type 1 games, followed by Type 2 (45.3%) and Type 3 (2%) games.

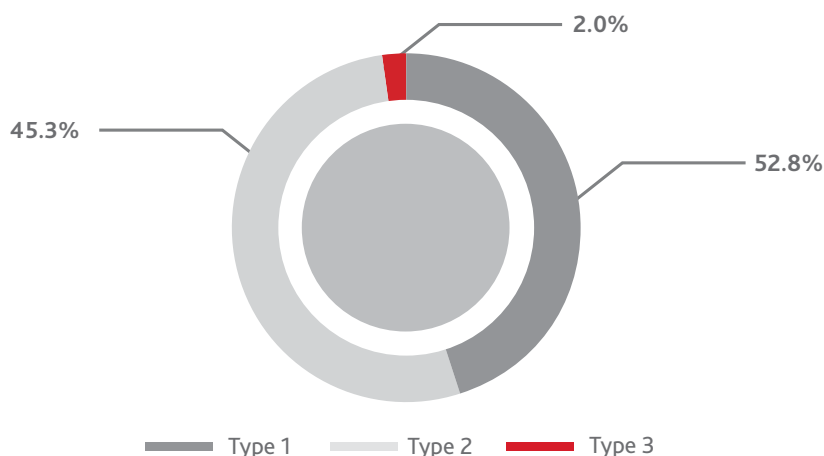


CHART 10: CONTROLLED GAMING PREMISES - GR DISTRIBUTION BY GAME TYPE

Note: The total percentage does not equal 100% due to rounding of figures.

Average GR per Visit

During the year under review, the average GR per visit to controlled gaming premises stood at €15.5.

	2018	2019	2020
Total [€]	10.9	16.6	15.5

TABLE 15: CONTROLLED GAMING PREMISES - AVERAGE GR PER VISIT

8. Controlled Gaming Premises: Compliance Contribution

During the course of 2020, the MGA collected a total of €2.4 million (including compliance contribution, licence fees, levies, as well as a 5% consumption tax on customers located in Malta) from the operators of controlled gaming premises.

	2018	2019	2020
Total [€]	2,826,733	3,228,577	2,441,156

TABLE 16: CONTROLLED GAMING PREMISES - COMPLIANCE CONTRIBUTION

Note: The figures for years 2019 - 2020 include the compliance contribution fee, licence fees, levies, and 5% consumption tax paid by the licensees operating controlled gaming premises in line with the Gaming Tax Regulations (S.L. 583.10). For 2018, the gaming tax and licence fees were reported in line with the Third Schedule of the Gaming Devices Regulations (2011).

9. Controlled Gaming Premises: Employment

The number of FTE direct employees working in controlled gaming premises grew by 6.3% during 2020, reaching a total of 153. This increase is mainly due to the opening of new outlets by operators in the gaming parlour sector.

	end-2018	end-2019	end-2020
Total	125	144	153

TABLE 17: CONTROLLED GAMING PREMISES - EMPLOYMENT (FTE)

By the end of 2020, 66.7% of all controlled gaming premises' employees were male, in line with the ratio reported in December 2019. The nationality balance remained comparable to that reported in 2019, with 82.4% of the employees being Maltese.

Temporarily

CLOSED

due to COVID-19 pandemic

| Gaming Premises - Commercial Bingo

Due to the COVID-19 pandemic, all commercial bingo halls were closed from 18 March 2020 as per Government's Legal Notice 76 of 2020, entitled Closure of Places Open to the Public Order 2020, in order to combat the spread of COVID-19. The restrictions were lifted on 5 June 2020, allowing operators to reopen the gambling premises.

1. Gaming Premises - Commercial Bingo: Number of Establishments

Four commercial bingo halls were in possession of an MGA licence during the period under review. The bingo halls are located in Birkirkara, Qawra, Valletta, and Paola.

2. Gaming Premises - Commercial Bingo: Game Types

By the end of 2020, all commercial bingo licensees were in possession of an approval to offer Type 3 games⁸.

3. Gaming Premises - Commercial Bingo: New Players' Registrations

During 2020, the commercial bingo sector reported 719 new registrations, a significant drop from the 2,887 new registrations during the same period in 2019, with the lower number of registrations resulting from the temporary closure of commercial bingo halls.

	2018	2019	2020
Total	3,320	2,887	719

TABLE 18: GAMING PREMISES - COMMERCIAL BINGO - NEW PLAYERS' REGISTRATIONS



8. For more information on the game types, please refer to Point 5 of the Methodology.

4. Gaming Premises - Commercial Bingo: Players' Visits

During the period January to December 2020, the number of players' visits to commercial bingo halls decreased by 46.1% when compared with the corresponding period of 2019. This was due to the temporary closure of the commercial bingo halls resulting from the restrictions imposed by the Maltese Government to combat the spread of COVID-19.

	2018	2019	2020
Total	179,172	166,562	89,734

TABLE 19: GAMING PREMISES - COMMERCIAL BINGO - NUMBER OF VISITS

When analysing the figures on a monthly basis, it could be noted that even after the COVID-19 restrictions imposed on all gaming venues by the Government were lifted on 5 June 2020, the number of visits registered in the commercial bingo sector were much lower when compared with the previous years, reflecting the nature of the gaming activity itself. Chart 11 below presents the number of visits by month registered in the commercial bingo sector between 2018 and 2020.

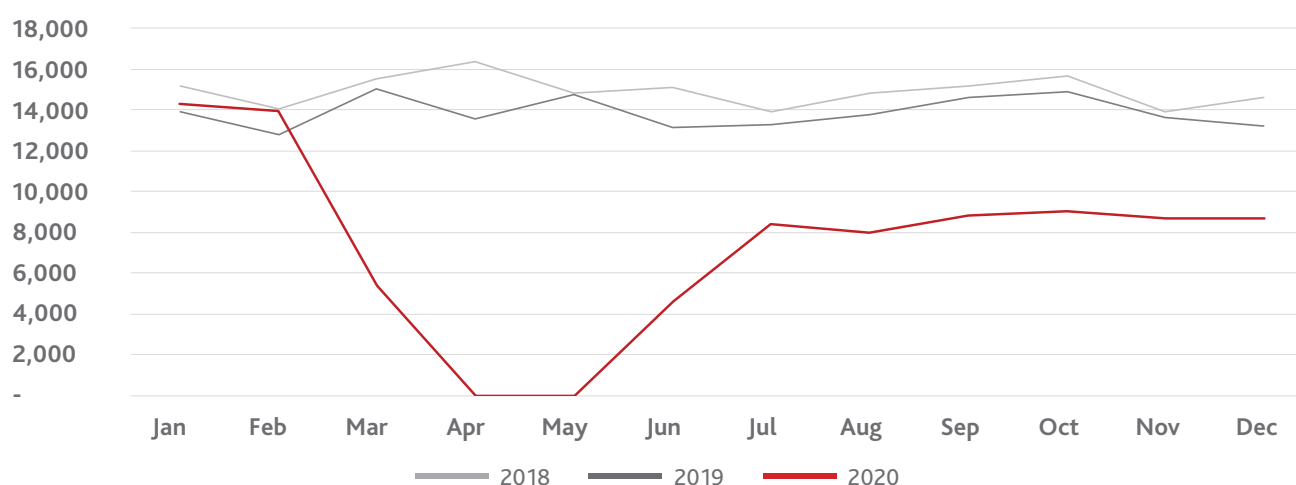


CHART 11: GAMING PREMISES - COMMERCIAL BINGO - NUMBER OF VISITS

5. Gaming Premises - Commercial Bingo: Players' Profile

Nationality

In similarity with the ratio observed in the past years, visits to commercial bingo halls were predominantly made by Maltese residents, constituting 97.9% of the total visits reported during the year under review.

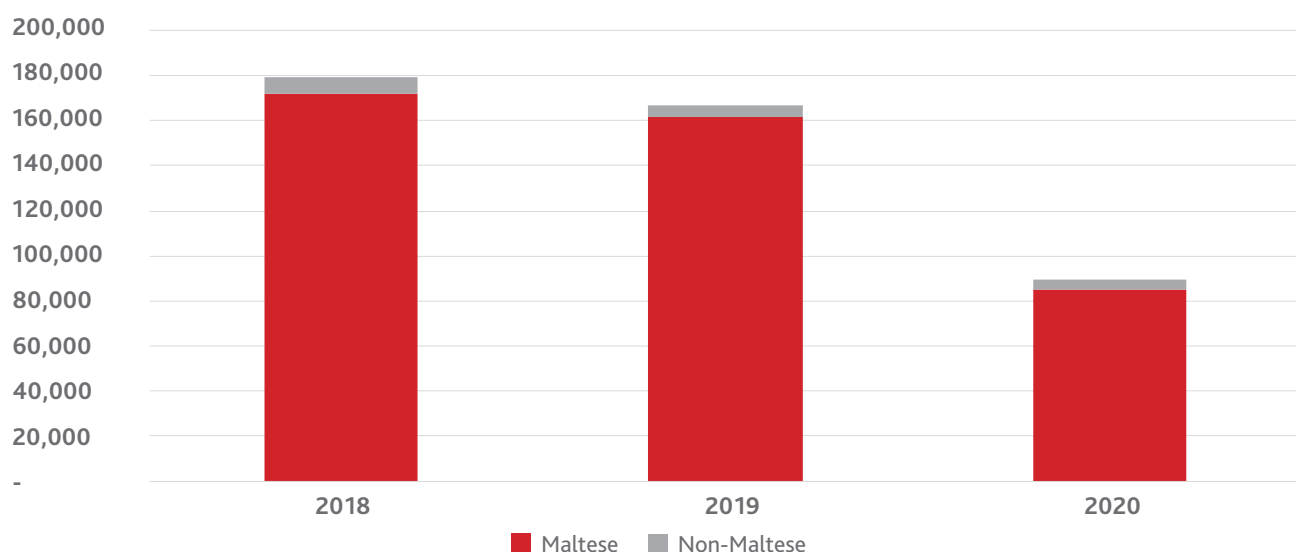


CHART 12: GAMING PREMISES - COMMERCIAL BINGO - PLAYERS' PROFILE BY NATIONALITY

Demographic Group

During the course of 2020, visits by players across all age groups experienced a decline due to the closure of commercial bingo halls. Visits by players aged 65 years or over continued to represent the highest share (58.5%) of the total visits registered by the commercial bingo sector. This represents a drop of almost four percentage points when compared with 2019. Visits by players from the 55–64 age category represented 25.8% of the visits in 2020, an increase of almost three percentage points over 2019. The visits of players within the 18–24, 25–34, and 35–54 age groups remained at par with 2019, accounting for 0.9%, 2.2%, and 12.5% respectively of the total visits registered during the reporting period.

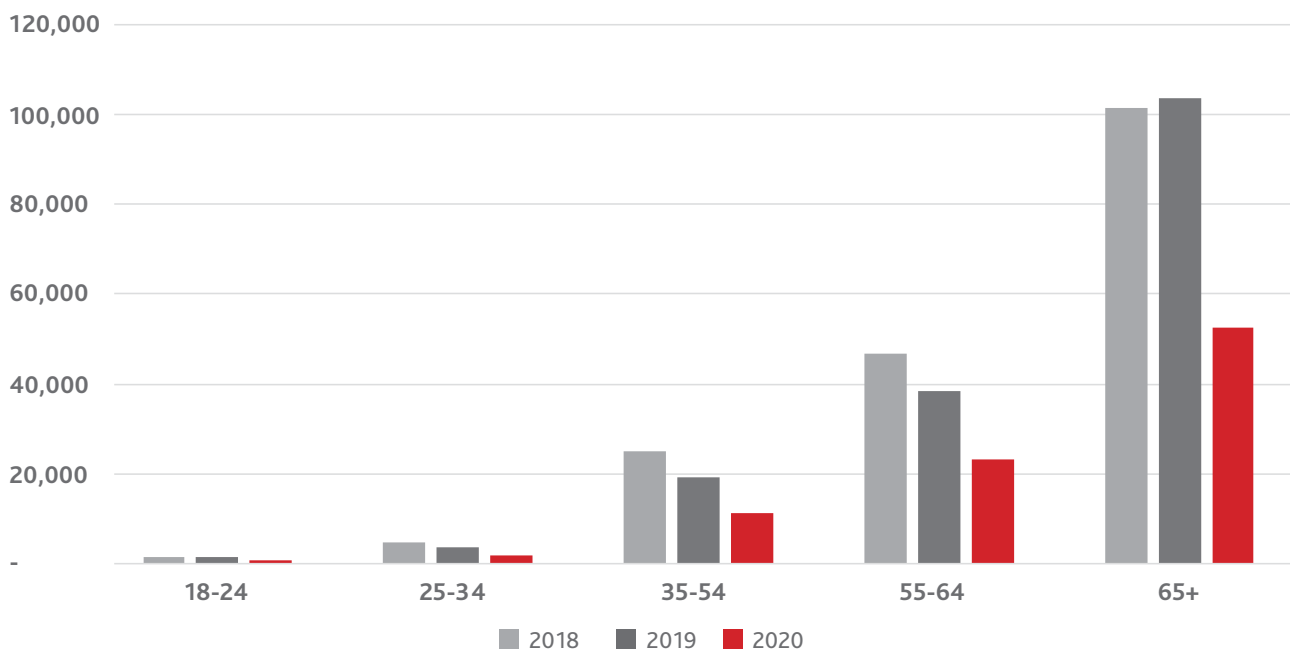


CHART 13: GAMING PREMISES - COMMERCIAL BINGO - PLAYERS' PROFILE BY AGE GROUP DISTRIBUTION

In similarity with the gender balance reported in previous years, the vast majority of players who visited commercial bingo halls during this reporting period were women. Visits by females represented 87.2% of all the visits made during 2020.

6. Gaming Premises - Commercial Bingo: GR

During the period under review, the GR of the commercial bingo sector decreased by 35.2% when compared with the corresponding period of 2019, as a result of the closure of outlets imposed by the Government during the first half of the year.

Average GR per Visit

The average GR per visit for the period January to December 2020 increased from €13.2 in 2019 to €15.9 in 2020.

	2018	2019	2020
Total [€]	13.4	13.2	15.9

TABLE 20: GAMING PREMISES - COMMERCIAL BINGO - AVERAGE GR PER VISIT

7. Gaming Premises - Commercial Bingo: Compliance Contribution

During 2020, the MGA collected a total of €294,050 by way of dues (including compliance contribution, licence fees, levies, as well as a 5% consumption tax on customers located in Malta) owed from the bingo hall operators, in terms of the applicable legislation.

It should be noted that the data presented in the following table reveals a decrease of 34.4% in the compliance contribution for 2020 when compared to the corresponding period of 2019. This is due to the temporarily closure of gaming establishments imposed by the Government in the first half of 2020 to contain the spread of the COVID-19.

	2018	2019	2020
Total [€]	808,486	448,353	294,050

TABLE 21: GAMING PREMISES - COMMERCIAL BINGO - COMPLIANCE CONTRIBUTION

Note: The figures for the years 2019 - 2020 include the compliance contribution fee, licence fees, levies, and 5% consumption tax paid by the licensees operating commercial bingo halls in line with the Gaming Tax Regulations (S.L. 583.10). For 2018, gaming tax and licence fees were reported in line with the First Schedule of the Commercial Tombola (Bingo) Regulations (2016).

8. Gaming Premises - Commercial Bingo: Employment

By the end of December 2020, the bingo sector directly employed 32 FTE employees.

	end-2018	end-2019	end-2020
Total	42	40	32

TABLE 22: GAMING PREMISES - COMMERCIAL BINGO - EMPLOYMENT (FTE)

By the end of 2020, 81.6% of all commercial bingo hall employees were female, an increase of just more than six percentage points when compared to the figures reported as at December 2019. The ratio of Maltese nationals employed in the bingo sector went down to 76.3%, 7.4 percentage points less when compared with year-end 2019.



National Lottery

The National Lottery operator, Maltco Lotteries Limited (Maltco), had to suspend the operation of all its points of sale from 18 March 2020 in line with Legal Notice 76 of 2020, entitled Closure of Places Open to the Public Order 2020, in order to combat the spread of COVID-19. Following a 47-day shutdown, the retail network returned to operation as from 4 May 2020.

1. National Lottery: Turnover by Game Category

Between January and December 2020, the total turnover of Maltco stood at €77.6 million. This is measured in terms of sales across three game categories, namely draw-based games, instant games, and sports games. Additionally, during October 2020 Maltco introduced its first internet gaming website, making available Super 5, Lotto and Quaterno+, SUPERSTAR, and Quick Keno to online players.

When compared to 2019, a decrease was registered for all the three game categories, which in total amounted to 19.1%. This is mainly attributed to the temporary suspension of operations due to measures introduced by the Maltese Government to combat the spread of COVID-19. It could be noted that turnover from draw-based games decreased by 20.1%. Although both sports games and instant games have been experiencing a year-on-year decrease since 2018, both categories registered a substantial drop during the course of 2020, resulting in a decrease of 15.4% and 29.5% respectively when compared to the previous twelve months.

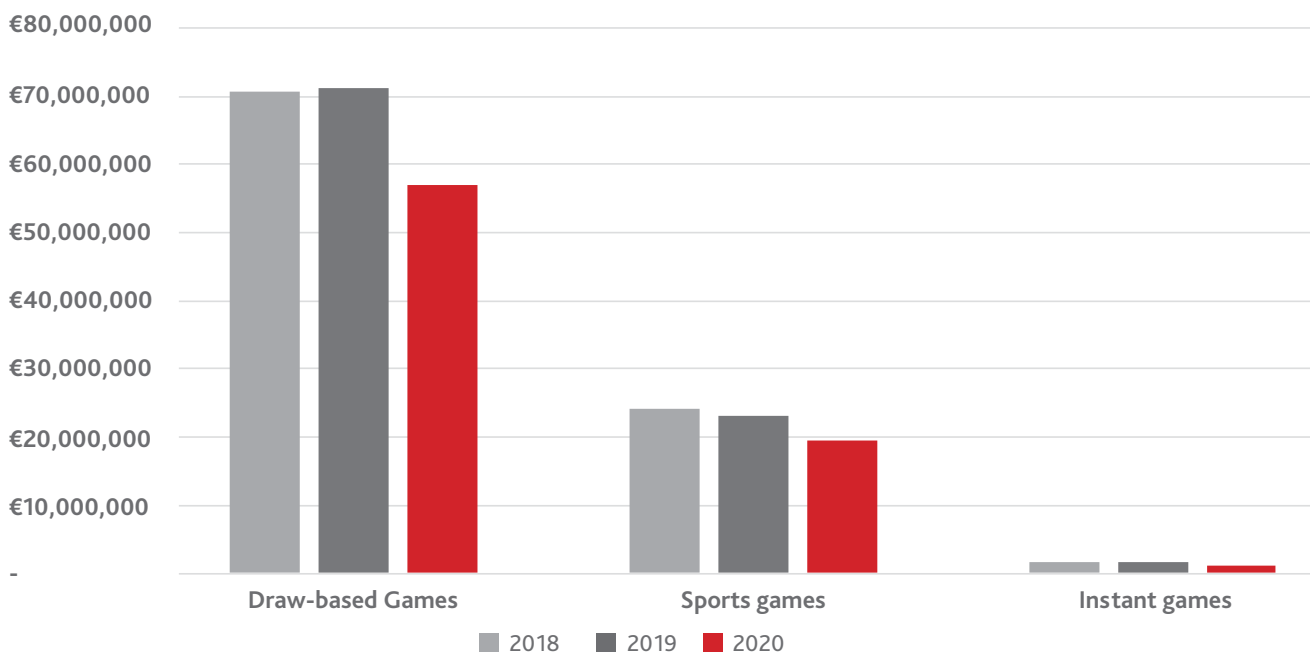


CHART 14: NATIONAL LOTTERY - TURNOVER BY GAME
SOURCE: MALTCO LOTTERIES LIMITED



When analysing the split of turnover between the three game categories, sales of draw-based games continued to account for the largest source of turnover for Maltco, representing 73.3% of Maltco's total sales during 2020. Sports games accounted for 25.2% whilst instant games made up 1.4% of the total sales reported during the period under review. The percentage distribution across the three game categories is in line with the shares reported in 2019.

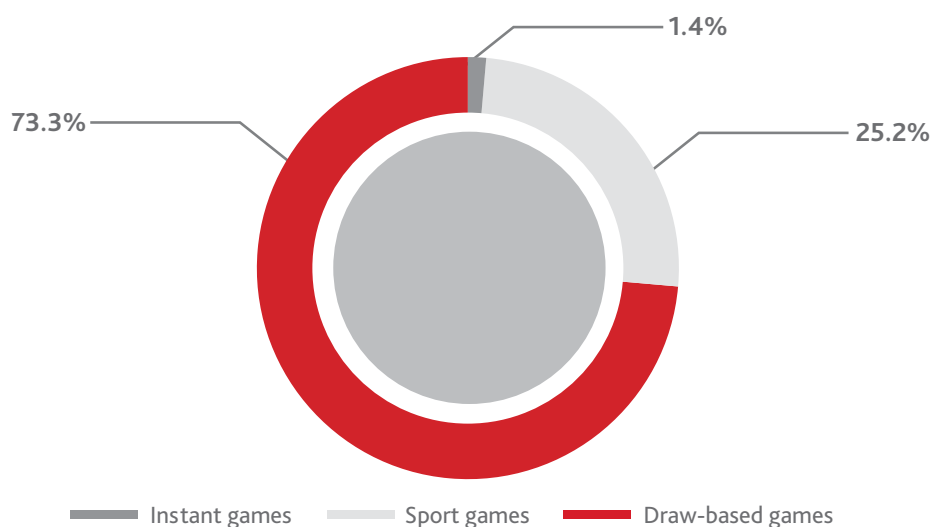


CHART 15: NATIONAL LOTTERY - TURNOVER BY GAME
SOURCE: MALTCO LOTTERIES LIMITED

Note: The total percentage does not equal 100% due to rounding of figures.

2. National Lottery: Gaming Tax

Between January and December 2020, the total gaming tax payable by the National Lottery operators stood at €10 million.

	2018	2019	2020
Total [€]	12,722,515	11,923,090	10,018,111

TABLE 23: NATIONAL LOTTERY - GAMING TAX

Maltco's Contribution to the Social Causes Fund

In addition to gaming tax, in accordance with law and concession conditions, Maltco contributes to the Social Causes Fund. During 2020, Maltco passed on €573,919 to this Fund.

	2018	2019	2020
Total [€]	690,869	712,205	573,919

TABLE 24: NATIONAL LOTTERY - CONTRIBUTION TO THE SOCIAL CAUSES FUND

3. National Lottery: Points of Sale

Maltco offers its services through an extensive network of lotto booths (Points of Sale) where one can participate in games. By the end of 2020, the number of Points of Sale amounted to 203 outlets spread across the Maltese Islands.

	end-2018	end-2019	end-2020
Total	220	215	203

TABLE 25: NATIONAL LOTTERY - POINTS OF SALE

| Land-Based Self-Exclusion

The legislative framework enables players to voluntarily exclude themselves from gambling for an indefinite or definite period. Players who avail themselves of the self-exclusion programme will be refused services in land-based casinos, commercial bingo halls, and/or controlled gaming premises for the duration of the applicable self-exclusion period. Those players who opt to exclude themselves for a definite period of time, either six months or a full year, can re-engage in gambling activities upon expiry of the pre-set period. However, gamblers who opt for an indefinite exclusion can only revoke this if a medical certificate is presented, indicating that the person is no longer a compulsive gambler.

1. Number of Self-Exclusion Requests

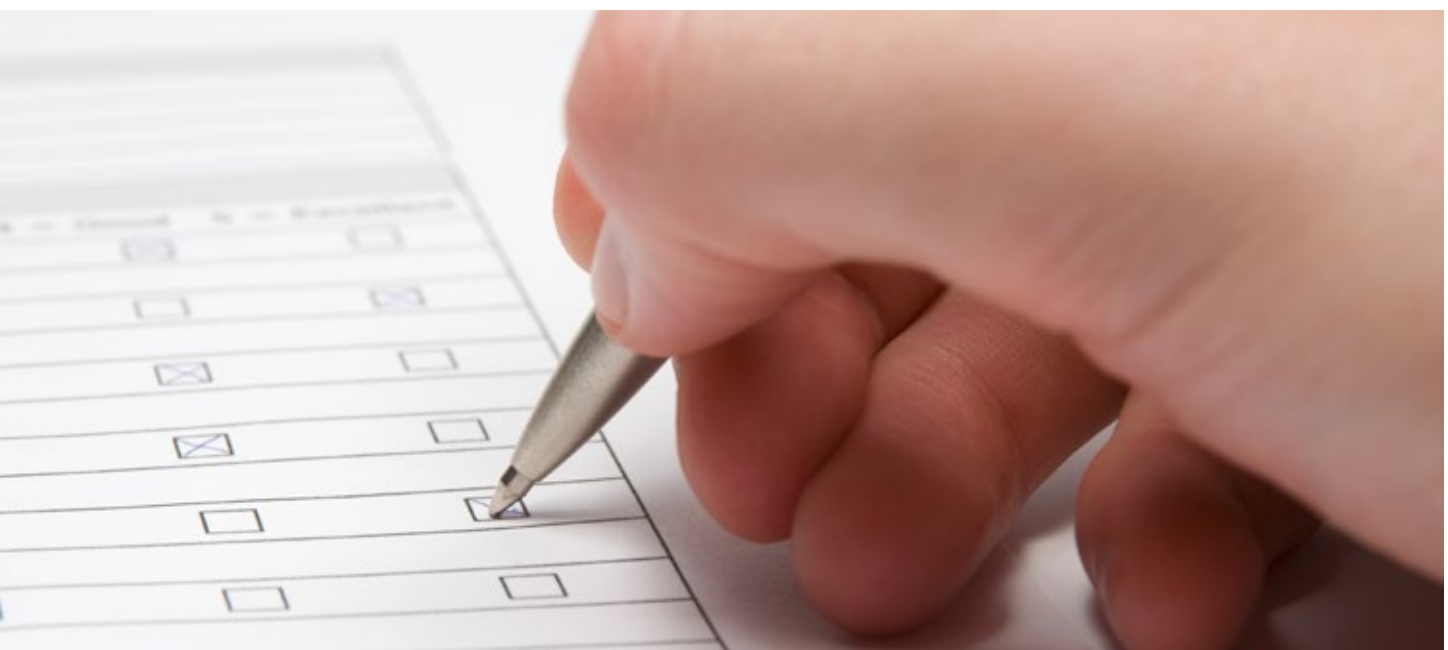
Between January and December 2020, a total of 1,258 players submitted a request to be self-excluded from the land-based gambling outlets in Malta. Although this represents a drop of 21.5% over the numbers registered in 2019, it is worth noting that all controlled gaming premises were closed for almost 12 weeks, in terms of Legal Notice 76 of 2020, entitled Closure of Places Open to the Public Order 2020, in order to combat the spread of COVID-19.

	2018	2019	2020
6 months	769	780	577
12 months	818	819	680
Indefinite	2	3	1
Total	1,589	1,602	1,258

TABLE 26: LAND-BASED - NUMBER OF SELF-EXCLUSION REQUESTS

Out of all the players that requested a self-exclusion 45.9% opted for a six-month exclusion while 54.1% applied for a one-year exclusion. There was only one player who requested to exclude themselves indefinitely.

When considering the age distribution of self-excluded gamblers between January and December 2020, it could be noted that for the land-based sector, gamblers from the 35–54 age group registered the highest number of self-exclusion requests, accounting for 39.7% of all requests, while only 4.2% of these requests came from the youngest age group (18–24). The remaining requests were almost equally shared between the other remaining age group categories, namely the 25–34, 55–64, and 65+ age brackets. In terms of gender distribution, and in line with previous trends, during the year under review, 75.2% of the self-exclusion requests were made by male players.



| Other Games

1. Low Risk Games

The regulatory framework classifies non-profit games, commercial communication games, and limited commercial communication games as low risk games as per the Fifth Schedule of the Gaming Authorisations Regulations 2018. Low risk games require a permit which is only valid for a singular event and expires when the event is concluded.

Non-Profit Games

A non-profit game is a licensable game wherein the stake cannot exceed €5 per player, and over 90% of the net proceeds are forwarded to an entity with a charitable, sporting, religious, philanthropic, cultural, educational, social, or civic purpose.

During 2020, the MGA issued six permits for non-profit lotteries and 867 permits for non-profit tombola games. The slowdown in the number of applications for such events was expected as a result of the COVID-19 pandemic.

	2018	2019	2020
Non-profit lottery	40	34	6
Non-profit tombola	2,132	1,830	867

TABLE 27: NON-PROFIT GAMES - PERMITS ISSUED

Commercial Communication Games

A commercial communication game is a game that does not cumulatively exceed €100,000 in prizes during any calendar month and not more than €500,000 during any calendar year. The game is organised with the purpose of promoting or encouraging the sale of goods or services and does not constitute an economic activity in its own right. Any payments required to be made by the participant serve only to acquire the promoted goods or services and not to participate in the game, although it may be a condition that a person purchases the promoted goods or services in order to participate in the game. During 2020, the MGA issued a total of 42 certificates for commercial communication games.

Limited Commercial Communication Games

A limited commercial communication game is a game that includes a stake and a prize. For the game to qualify as a limited commercial communication game, the value of the stake cannot exceed €2 per player. The MGA has not received any permit applications for such games yet.



I Online Gaming

In 2020, the online gaming industry demonstrated a remarkable degree of resilience. Whilst sportsbook operators were struggling due to a complete standstill in sports activities, others were benefitting from the increase in demand for online entertainment. The online gaming sector's reliance on technology meant that it was better placed than other sectors to cope with the unprecedented circumstances faced during these challenging times.

1. Online Gaming: Key Highlights

In 2020, the Malta Gaming Authority received a total of 58 applications for gaming licences whilst 68 licences were issued. Throughout 2020, 30 gaming applications were either rejected by the MGA or withdrawn by the applicants. Additionally, the Authority cancelled 12 licences and suspended another three due to various regulatory breaches. Furthermore, nine licences were terminated.

	2018	2019	2020
Applications			
New Gaming Licence Applications (Note 1)	209	89	58
Rejected / Withdrawn Gaming Licence Applications (Note 2)	40	44	30
Licences			
Gaming Licences Issued (Note 3)	93	53	68
Termination of Gaming Licences	37	12	9
Cancelled Licences	8	14	12
Suspended Licences	4	11	3

TABLE 28: ONLINE GAMING - KEY FIGURES

Note 1: The number of new gaming licence applications for the period 1 January to 31 July 2018 is reported in line with the multilicence system under the previous legislative framework. All applications received after 1 August 2018 are reported in line with the two-licence system. The multiple applications submitted by the same operator were grouped into one licence application depending on whether they contained a B2C or B2B activity element. In accordance with the current legislative framework, operators who are already in possession of a Gaming Service Licence or Critical Gaming Supply Licence and wish to offer an additional type of game are required to apply for the necessary approval, and not for a new licence. As a result, fewer applications for a gaming licence are now being submitted to the MGA.

Note 2: The number of rejected/withdrawn applications for the period 1 January to 31 July 2018 is reported in line with the multilicence system under the previous legislative framework. All applications rejected/withdrawn after 1 August 2018 are reported in line with the two-licence system. The multiple applications rejected/withdrawn by the same operator were grouped into one application depending on whether they contained a B2C or B2B activity element.

Note 3: The number of new gaming licences for the period 1 January to 31 July 2018 is reported in line with the multilicence system under the previous legislative framework. All licences issued after 1 August 2018 are reported in line with the two-licence system.



2. Online Gaming: Number of Companies

As at the end of 2020, the number of gaming companies offering online services stood at 314, as shown in Table 29. In 2018 the Gaming Act introduced the concept of a corporate group licence, which allows multiple companies to be covered by one group licence. Entities falling under a corporate licence are jointly considered by the Authority to be one licensed entity and, for the purposes of these statistics, are considered to be one operating company. As at the end of 2020, 35 companies held corporate group licences, with a total of 141 entities forming part of the respective groups.

	end-2018	end-2019	end-2020
No. of companies	273	284	314
Additional companies falling under the Corporate Group Licence	17	86	141

TABLE 29: ONLINE GAMING - NUMBER OF COMPANIES

3. Online Gaming: Distribution of Licences by Category

Due to the introduction of the new licensing regime, which became applicable for online gaming operators as of 1 August 2018, the numbers of gaming companies and licences are better aligned, since the operators do not require multiple licences to offer different games unless they wish to offer both B2C and B2B services. As at the end of 2020, the B2C group of licences accounted for 62% of the total licence base.

Out of the 35 corporate group licences that were active up to the end of 2020, 24 referred to B2C-related operations whilst the remaining 11 were for B2B-related activity.

	end-2018	end-2019	end-2020
B2C - Gaming Service Licence	207	195	196
of which are B2C - Corporate Licences	6	14	24
B2B - Critical Supply Licence	68	92	122
of which are B2B - Corporate Licences	3	9	11

TABLE 30: ONLINE GAMING - DISTRIBUTION OF LICENCES BY CATEGORY

Note: For the period 1 January - 30 June 2018, all licences which contained B2C activity elements under the previous licensing regime, namely Class 1, Class 2, Class 3, and Skill Game B2C, were grouped into the "B2C - Gaming Service Licence" category whilst the licences containing B2B activity elements, namely Class 4 and Skill Game B2B, were grouped into the "B2B - Critical Supply Licence" category.

4. Online Gaming: Distribution of B2C Licences by Game Type

The new licensing regime categorises all the games that can be offered by the licensees into four different game types⁹. An operator can offer one or multiple game types. As in previous years, at the end of 2020 the vast majority of active B2C operators were in possession of an approval to offer Type 1 and Type 2 games, as presented in Table 31 below.

	end-2018	end-2019	end-2020
Type 1	132	152	164
Type 2	100	118	118
Type 3	37	41	38
Type 4	10	12	10

TABLE 31: ONLINE GAMING - B2C - GAME TYPES

5. Online Gaming: Customer Accounts

Active Player Accounts

The number of active player accounts registered¹⁰ on the websites licensed by the MGA grew by 18.1% during 2020 when compared with the corresponding period of 2019, reaching 36.2 million. Growth in the number of active players therefore continued in 2020 at very much the same pace of earlier years, in spite of the onset of the COVID-19 event.

	2018	2019	2020
Total	26,911,119	30,647,211	36,196,001

TABLE 32: ONLINE GAMING - ACTIVE PLAYER ACCOUNTS

New Active Player Accounts

During 2020, the estimated number of new active player accounts stood at 15.9 million, reflecting a 15.5% year-on-year growth. This was also reflected in the 41.4% increase in the number of new registrations.

	2018	2019	2020
Total	12,350,484	13,797,091	15,938,919

TABLE 33: ONLINE GAMING - NEW ACTIVE PLAYER ACCOUNTS



9. For more information on the game types, please refer to Point 5 of the Methodology.

10. Active accounts are defined as accounts belonging to customers who played at least once during the year under review.

6. Online Gaming: Players' Profile

Demographic Group

Over the past three years, players from the 25–34 age group constituted the largest category of players, accounting for 38.6% of all the customers playing on the websites regulated by the MGA during 2020. Customers from the demographically wider 35–54 age group constituted 32.1% of the player base. The share of players falling within the 18–24 age bracket rose by less than two percentage points to stand at 22% during 2020. Players aged 55 and over continued to account for a minimal share of online gaming activity licensed under the Maltese jurisdiction.

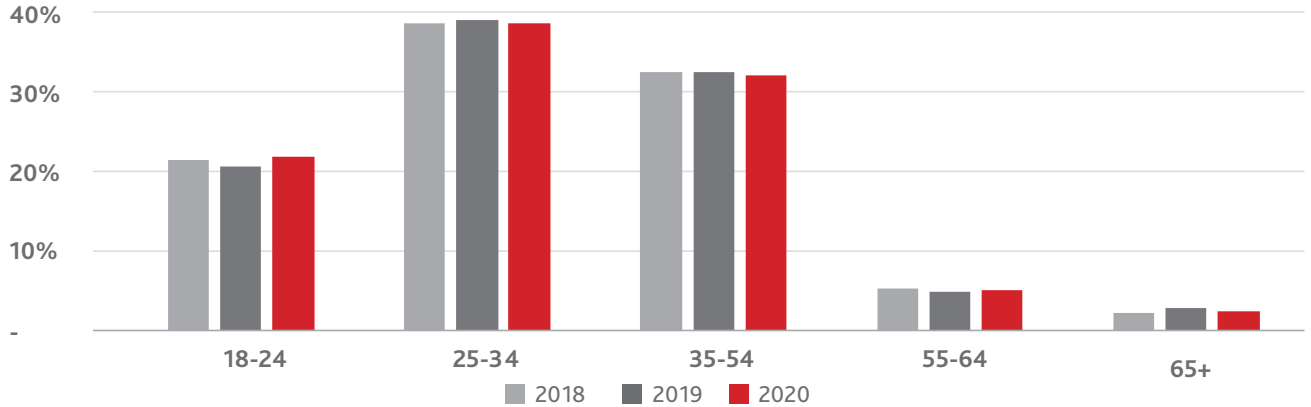


CHART 16: ONLINE GAMING - PLAYERS' PROFILE BY AGE GROUP DISTRIBUTION

Throughout 2020, males continued to constitute the largest category of players, accounting for 73.6% of the total player base.

Number of Self-Exclusion Requests

All B2C licensees are obliged to have systems in place which offer online gamblers the possibility to self-exclude themselves for a definite or indefinite period. While requests can be made by the players themselves, within the online gambling market there exists the possibility that exclusions are imposed on a player by the gaming operator itself, particularly in cases where there are sufficient reasons to indicate that the player may have gambling issues.

Between January and December 2020, through the data collected by the MGA¹¹ from online gaming licensed operators, it has been estimated that the total number of self-exclusion requests (sign-ups) by online players amounted to 2.8 million, part of which may represent multiple self-exclusions by a single player on more than one website. The number of exclusions that were imposed on players by the online licensees amounted to 0.4 million.

While the number of exclusions imposed by the B2C licensees remained similar in volume to that reported in 2019, the total number of self-exclusion requests (sign-ups) by online players increased from 1.6 million in 2019 to 2.8 million in 2020. The significant increase in the number of players making use of the self-exclusion services followed the global rise in online gaming during the COVID-19 pandemic.

In terms of the requests coming from players during 2020, the highest number opted for the up to one month option (37.9%), followed by those who preferred an indefinite exclusion (25.9%). When compared to the preferences recorded in 2019, a change in behaviour could be noted, with requests within the up to one month option increasing by over 10 percentage points (27.3% in 2019) while indefinite exclusions dropped by five percentage points (30.9% in 2019). As at the end of December 2020, only 4.9% of the self-excluded players approached operators to reverse or cancel their self-exclusion request. These exclude the instances where the self-exclusion was removed upon expiry of the exclusion term.

During the year under review, of those exclusions imposed by the online operator, notwithstanding the drop of almost nine percentage points over 2019, the absolute majority (73.5%) were imposed for an indefinite period of time.

11. Industry Performance Return data collection exercises for the periods January–June 2020 and July–December 2020.

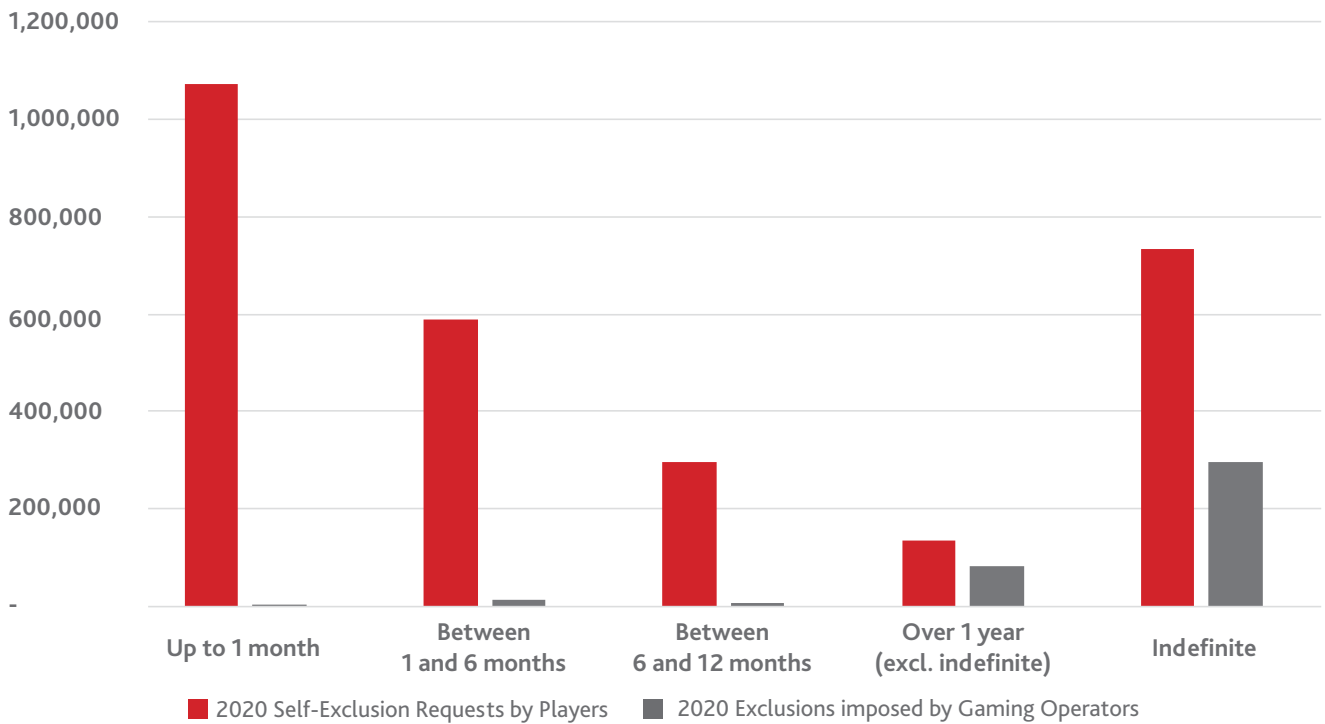


CHART 17: ONLINE GAMING - NUMBER OF SELF-EXCLUSION REQUESTS

Players aged between 25 and 34 are the most likely to use the self-exclusion service, accounting for 41.9% of all requests that were made in 2020, followed by those within the 35–54 age category (34.1%) and the 18–24 age group (18%). The remaining 6% of exclusion requests pertained to those individuals aged 55+. In terms of gender distribution, during the year under review, 72.5% of the self-exclusion requests were made by male players.

Number of Limits Set and Hit

Players have the possibility to impose limits on their gaming activity as a form of additional responsible gambling measures aimed at reducing gambling addiction and further protecting the player. Any limit set can only be amended or removed upon request of the relevant player or upon expiry of the set duration. These measures are intended to empower a player by granting them increased control over the amount of time or money spent on gambling.

Between January and December 2020, online players set over 8.4 million limits covering the four different limit categories, with the absolute majority of the total limits set pertaining to deposit limit (81.2%). During the same period more than one fourth of these set limits have been hit by the players, with the total hits during 2020 amounting to 2.1 million.

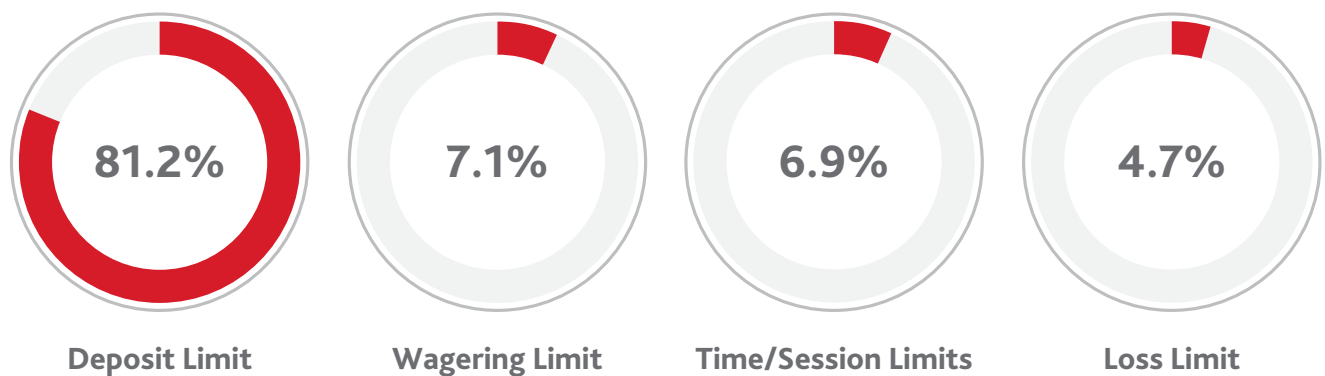


FIGURE 1: ONLINE - LIMITS SET DISTRIBUTION

Note: The total percentage does not equal 100% due to rounding of figures.

Methods of Payment for Deposits

During 2020, the most popular method of deposit amongst customers of the MGA's licensed companies was bank transfer. This payment method accounted for 36.7% of all deposit methods. Deposits made through credit/debit cards accounted for 27.5% of all payments whilst deposits made through e-wallets and online accounts constituted 16% of the total deposits. The remaining 19.9% of payments were made through other methods.

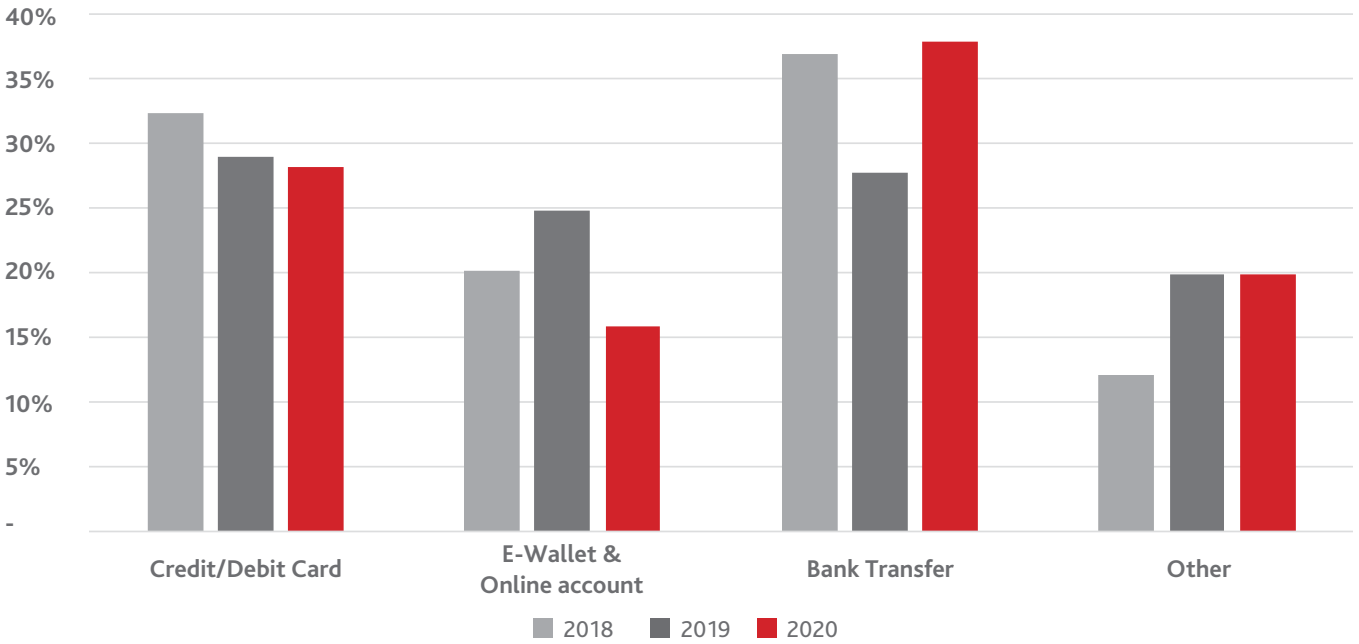


CHART 18: ONLINE GAMING - METHOD OF PAYMENT (DEPOSITS)

Methods of Withdrawal

During 2020, 53.9% of all withdrawals were made through bank transfer. Online gaming operators indicated that e-wallet and online accounts and credit/debit cards were the chosen method for 18.1% and 13.5% of withdrawals respectively. The remaining 14.5% of the withdrawals were made through other methods, namely pre-paid vouchers and mobile payments.

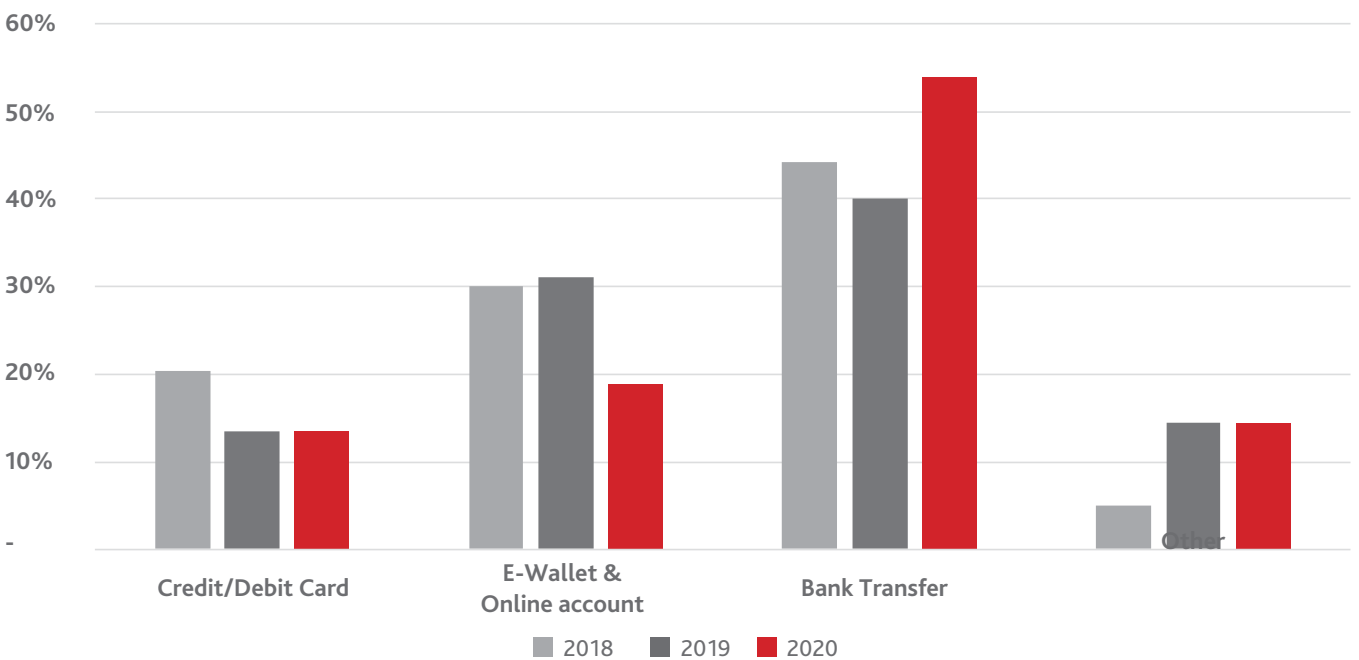


CHART 19: ONLINE GAMING - METHOD OF PAYMENT (WITHDRAWALS)

7. Online Gaming: GR from Customer Gaming Activities (B2C licensees)

It is estimated that during 2020, 62.3% of the total GR of the B2C licensees operating in the online industry was generated through gambling classified under the Type 1 group, up by six percentage points when compared with the corresponding period of 2019. The GR generated from games falling under the Type 2 category was down by 7.6 percentage points, accounting for 28.7% of the total, whilst the share in GR of Type 3 games increased from 7.7% to 9%. The activity reported for the controlled skill games classified under Type 4 was minimal when compared with other game types, and accounted for less than 1% of the total GR throughout 2020.

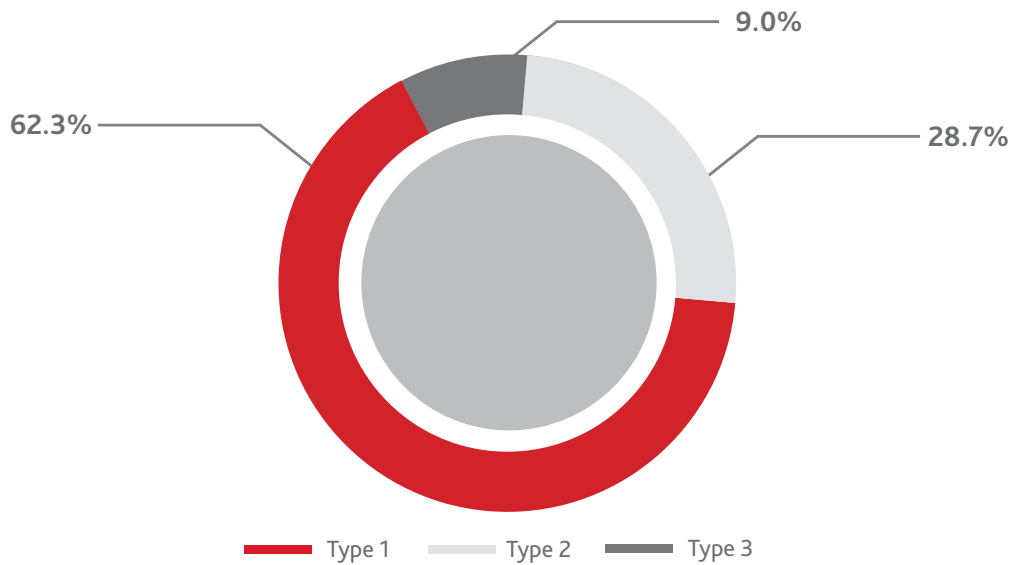


CHART 20: ONLINE GAMING - GR DISTRIBUTION BY GAME TYPE

The shift in the GR distribution between various game types, as shown in Chart 21, resulted from the changes happening in the gambling sector due to COVID-19. The complete cancellation of national leagues and major sporting events around the world had a direct impact on the GR generated from Type 2 games, which drove players to other type of games, resulting in the increase reported for Type 1 and Type 3 games.

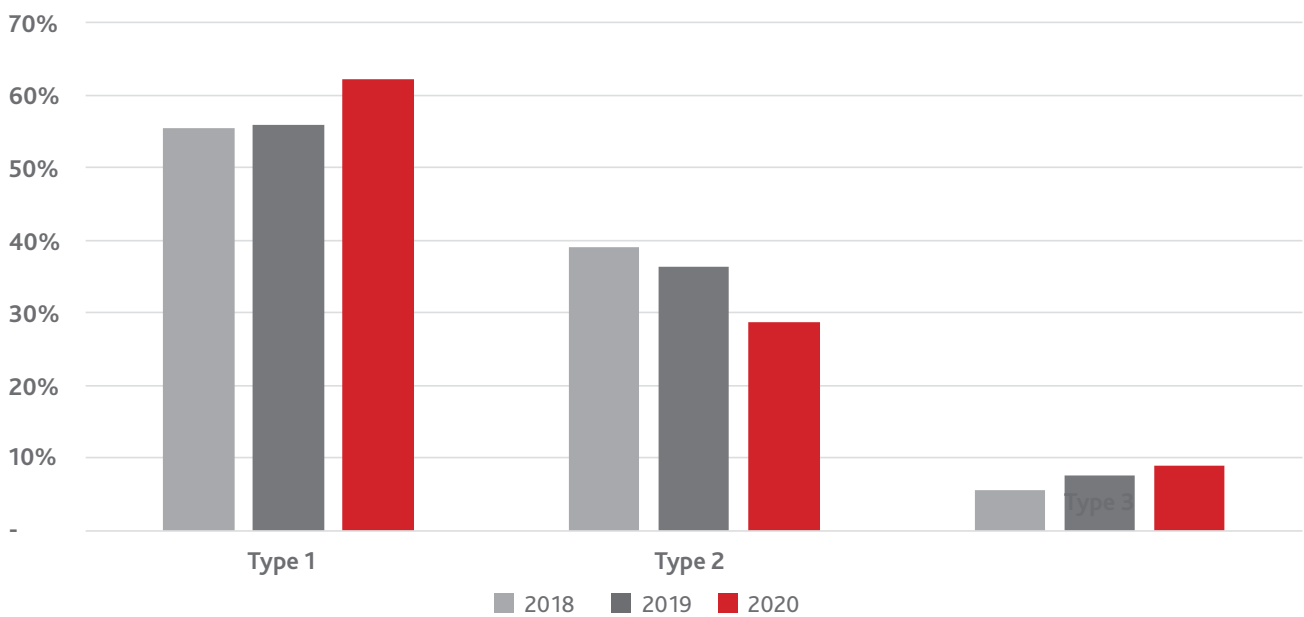


CHART 21: ONLINE GAMING - GR DISTRIBUTION BY GAME TYPE

Type 1 Games

The increase in GR during 2020 was the most prominent for the Type 1 games. During the reporting period, 78.2% of the GR was generated through slot games whilst 17.4% was generated through table games. The remaining 4.4% of the GR for the Type 1 group was generated through other games, the most popular of which were live casinos, virtual sports games, and secondary lotteries.

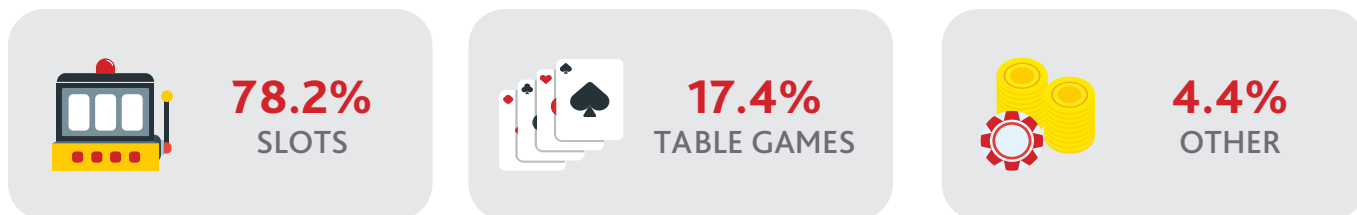


FIGURE 2: ONLINE GAMING - TYPE 1 GAMES - GR DISTRIBUTION

Type 2 Games

During the period under review, 28.7% of the GR was generated from games falling under the Type 2 game category. Due to the cancellation of major national leagues, operators reported only limited activity on sports betting during the first months of 2020, which impacted the yearly figures. Of all categories, betting on football generated the highest portion of GR from Type 2 games, at 76.5%, while bets on tennis accounted for 5.2% of the GR from Type 2 games. During 2020, the GR generated from basketball constituted 4.6% of the GR whilst bets on cricket accounted for 2.3%. The remaining 11.4% of the GR was generated through other bets, including esports, betting on horses, motorsports, and golf.

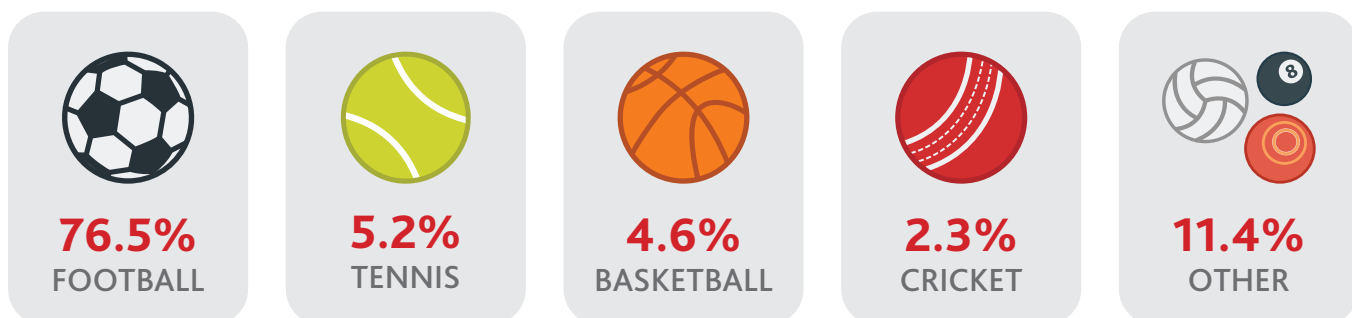


FIGURE 3: ONLINE GAMING - TYPE 2 GAMES - GR DISTRIBUTION

Type 3 Games

Throughout 2020, Type 3 games became more popular, increasing their share to stand at 9% as at the end of the reporting period. Peer-to-peer (P2P) poker generated a major share of the GR for Type 3 games, accounting for 89.1% of the total, a year-on-year increase of seven percentage points. Betting exchange constituted 5.6% of the GR whilst P2P bingo and lottery messenger accounted for 2.4% and 2.3% respectively. The remaining 0.5% of the GR was generated by other games offered through Type 3 approval.

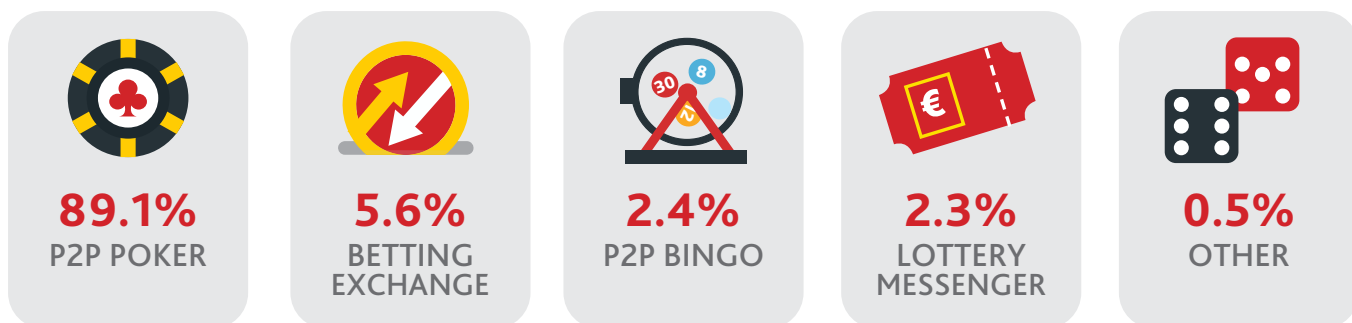


FIGURE 4: ONLINE GAMING - TYPE 3 GAMES - GR DISTRIBUTION

Note: The total percentage does not equal 100% due to rounding of figures.

8. Online Gaming: Compliance Contribution

The amount of compliance contribution payable by the operators depends on the type of approval issued by the Authority, and it is strictly correlated with the GR generated during the licence period. During 2020, the MGA collected dues owed in terms of the applicable legislation totalling €50.1 million.

	2018	2019	2020
Total [€]	39,785,899	47,255,180	50,103,870

TABLE 34: ONLINE GAMING - COMPLIANCE CONTRIBUTION

Note: The figures for the years 2018–2020 include the compliance contribution fee, licence fees, and 5% consumption tax on customers located in Malta in line with the Gaming Tax Regulations (S.L. 583.10).

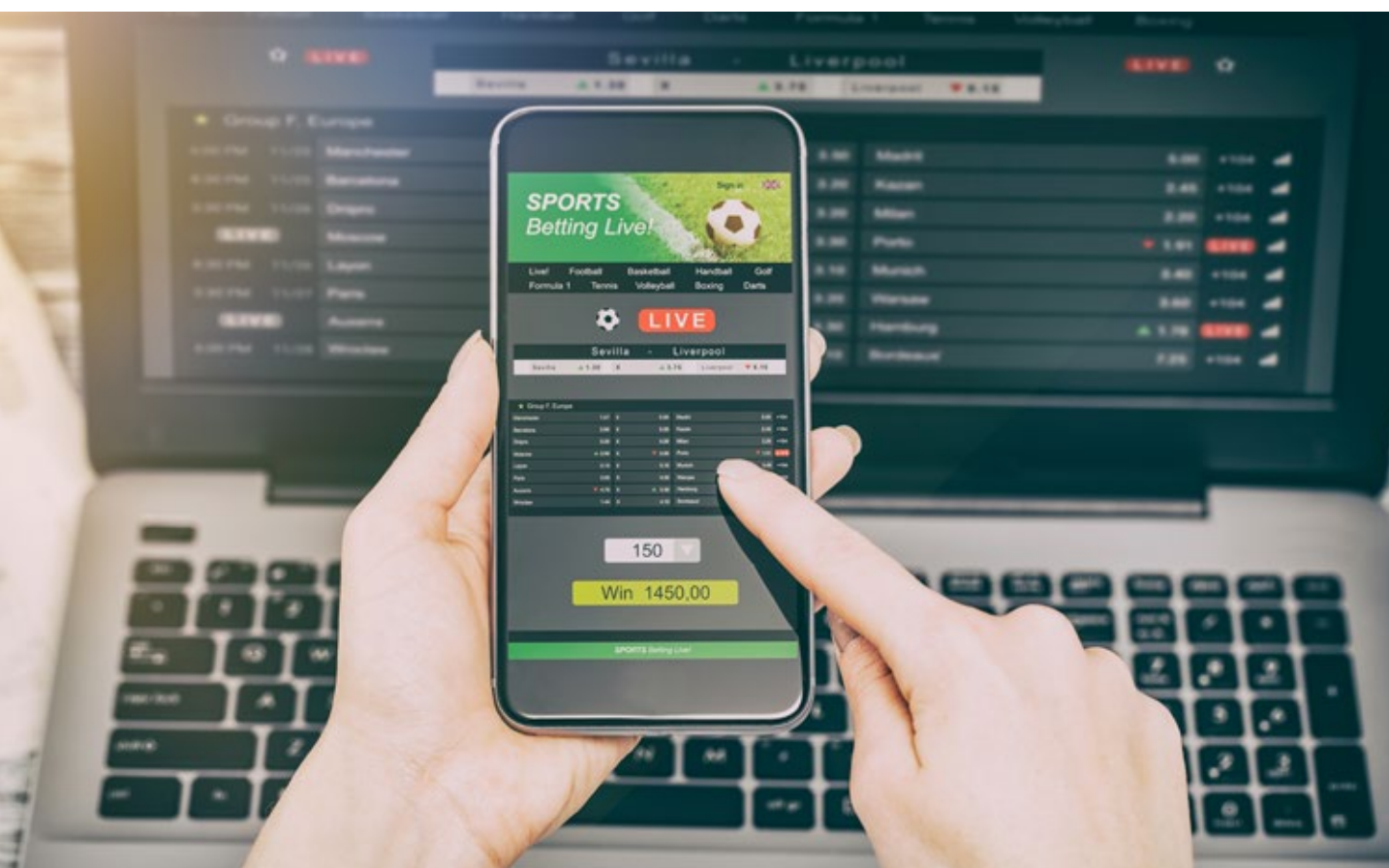
9. Online Gaming: Employment

As at the end of 2020, the number of FTE employees directly working with online gaming companies licensed by the MGA on the activities covered by the Authority's licences stood at 7,557¹².

	end-2018	end-2019	end-2020
Total	5,950	6,593	7,557

TABLE 35: ONLINE GAMING - EMPLOYMENT (FTE)

As at the end of December 2020, 60.4% of all employees within the online gaming industry in Malta were male. The proportion of non-Maltese workers in the online gaming industry constituted 69.6% of all employees in this sector, further highlighting the need for expatriate workers to sustain the growth of the industry.



12. This number refers to direct employees working on MGA-licensed activities. Kindly refer to Point 9 of the Methodology for more information.

Disclaimer

This document contains information and statistics that have been obtained from sources believed to be reliable in regard to the subject matter covered.

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List of Appendices



Appendix 1: List of Training Courses, Conferences, and Events

Training courses/workshops

- Affiliate roles in the new online world
- Analysis and Presentation of Financial Information Seminar
- Anti-Tax Avoidance Directive 1
- Award in Employment Law
- Betting & Gaming Workshop
- Budget Measures Implementation Act, 2020 & Other Developments - Malta
- Combating Money Laundering and Funding of Terrorism Workshop
- Company Law updates
- Company Tax Return
- Conflict Resolution at the Workplace
- Contributory Pensions & Third Pillar Pensions - Malta
- Core Competencies eWorkshop
- Covid-19 - The Economics of a Pandemic
- Covid-19 - DIER - Conditions of Work - Q&A Session
- Criminal Probity Screening Workshop
- Deferred Taxation Explained
- Design
- Detecting Fake Websites - Challenges and Techniques
- DLT Assets, VFA Regulations & Legal Implications for VFA services
- Effectiveness in Sanctions Compliance: Essentials for Subject Persons and Relevant Stakeholders
- Enhancing Operational Cost Effectiveness Through Virtual Presence
- Ethics & Compliance - Assessing Compliance Breaches and Decision-Making
- Financial Analysis - Analysing Companies
- Getgovernanz Financial Due Diligence Training
- 'Going Digital', the new era of Fraud Investigation
- GT advance: Dissolution & consequential winding up of companies
- IAS 7 - Statements of Cash Flow
- Impairment testing: a walkthrough
- In-house Investigations: Skills and Best Practice
- Integrity in Sport: Tackling The Manipulation Of Sports Competitions Virtual Regional Workshop
- Internal Management Information Sessions
- Internet Investigative Skills Courses
- Introduction to Finance, Accounting, Modelling and Valuation
- M2018: Basic Payroll Calculation (Online)
- Management Accounts
- Managing Fraud Risk - Forensics and Effective Controls
- Managing Human Resources Performance in Difficult Scenarios
- Microsoft - OneDrive for Business & OneNote
- Microsoft Excel - Advanced Excel Formulas and Functions
- Microsoft Planner
- Microsoft Power BI - A Complete Introduction (2020 Edition)
- Microsoft Teams (Advanced level)
- Microsoft Teams (Basic level)
- Online Course via Udemy platform on "Management in Minutes: 3 Simple Steps to People Management"
- Online Course via Udemy platform on "Power BI - The Ultimate Orientation"
- Online Course via Udemy platform on "Self Leadership"
- Online Factiva Training
- Online training on the revised Implementing Procedures Part II of the Remote Gaming Sector
- Player Protection Training Course
- Presentation skills
- PRINCE2® 6th Edition at Foundation and Practitioner level
- Professional Diploma in Digital Marketing
- Public Speaking Training
- Recent Changes to the Taxation of Married Persons
- Recruitment Workshop
- Remote Leadership Programme
- Retaining Talent
- Risk Management & Internal Audit - The Relationship
- Specific Aspects of VAT
- Sports betting without live games
- Tax Refunds - Malta
- Taxation and Prevention of Money Laundering
- Technology at the Workplace; Data Protection and Legal Issues
- The Audit Fraud Triangle
- The Complete SQL Bootcamp 2020 - Go from Zero to Hero
- The EQ Edge
- The HR Network Series
- The Interplay of Corporate Governance & Compliance
- The MLRO: Compliance and Effectiveness
- Three-part virtual training session: A practical guide to Customer Due Diligence
- Training on Risk Assessment and the Risk Evaluation Questionnaire
- Training on the Duties and Responsibilities of a MLRO
- Triggering action through effective Internal Audit Reporting
- Valuation implications in current Covid-19 scenario
- VAT Considerations in the Gaming Industry

Conferences & Webinars

- 2020 US Presidential Election Webinar - Society Education
- Annual Conference and Exhibition - Malta Critical Infrastructure Protection Directorate (CIPD)
- Anti-Money Laundering: New Challenges and Realities for Europe's Gambling Sector Webinar
- VIXIO Gambling Compliance and the European Gaming and Betting Association (EGBA)
- CasinoBeats Conference
- Challenges of DNFBPs supervision - Financial Action Task Force (FATF)
- CMS Gambling Conference
- CoinGeek Conference
- Conference on Beneficial Owners - Malta Business Registry (MBR)
- Covid-19 threat of Money Laundering and Financial Crime - Financial Action Task Force (FATF)
- COVIDCalls - Lovin Malta
- Crypto Asset Recovery Webinar - Asset Recovery Bureau and FTI Consulting
- Current themes in AML/CFT: Insights from the Regulators - KPMG eSummit Virtual Series
- Cyber Security Webinar: Emerging Threats . . . unplugged
- EGR Awards
- EGR Nordics Conference 2020
- EGR Virtual Series - Affordability tailored to the player
- EGR Virtual Series - Alternatives to Sports Betting
- EGR Virtual Series - Business Contingency
- EGR Virtual Series - Is this the perfect storm for Gaming Industry?
- EGR Virtual Series - Responsible Gaming
- EGR Virtual Series - What is next for Egaming?
- Funding of Terrorism (FT) Webinar - Financial Intelligence Analysis Unit (FIAU)
- Gaming Compliance Forum - ARQ Group Malta
- Gaming Regulators European Forum (GREF)
- High Stakes - The Pandemic's impact on Anti-Money Laundering Risks Webinar – Dods Group
- How RegTech is changing AML compliance - KYC Global
- ICE Totally Gaming Conference - World Regulatory Briefing
- Information Security and Compliance Webinar
- Integrity Insights Podcast - International Betting Integrity Association (IBIA)
- Integrity Insights Webinar - International Betting Integrity Association (IBIA)
- Intranet ROI Webinar - Unily
- Malta Financial Crime Compliance Seminar - International Compliance Association (ICA) and the Institute of Financial Services
- Meeting of the CSCF Foundation for Sport Integrity
- Moneyval - Where are we? Webinar - Malta Business Network
- National Productivity Board Business Breakfast - Malta Council for Economic and Social Development (MCESD)
- Online Conference - Kyte Global
- Online Conference to mark Equal Pay - National Commission for the Promotion of Equality (NCPE)
- Online panel on the effects of COVID-19 on Gaming - Gioconews
- Panel on Industry Response and Business Continuity - EGR Weekly Virtual Series
- Parenting in Adversity Webinar
- Regulatory Forum - PwC
- SBC Digital Summit
- SBCEvents Webinars
- SEE Gaming Business Forum
- Seminars organised by the Malta Forum of Internal Auditors
- SGW Conference
- Sustainable Gambling Conference
- The Compliance Professional of the Future. The MLRO Career Path - ACAMS Malta Chapter
- AML/CFT Supervisory Examinations, Common Findings, & Best Practices for Remote Gaming Operators Webinar - Financial Intelligence Analysis Unit (FIAU)
- The Impact of Covid-19 on our Psychological Wellbeing - Taking Care of your Whole Self Webinar
- The Prevention of Money Laundering & Financial Crime - A Virtual Conference - Society Education
- Virtual Compliance Conference - Kyte Global
- Webinar on Sanctions Compliance - Sanctions Monitoring Board (SMB)
- Webinar on the FATF standards methodology and the implications on the activities of competent authorities - National Coordinating Committee on Combating Money Laundering and Funding of Terrorism (NCC)
- Webinar on the Latest Updates on the German Sports Betting Application and the Interstate Treaty on Gambling - Chevron Group
- What does BREXIT mean for Malta? - Society Education
- WrB Responsible Gambling Webinar Series

Local Events

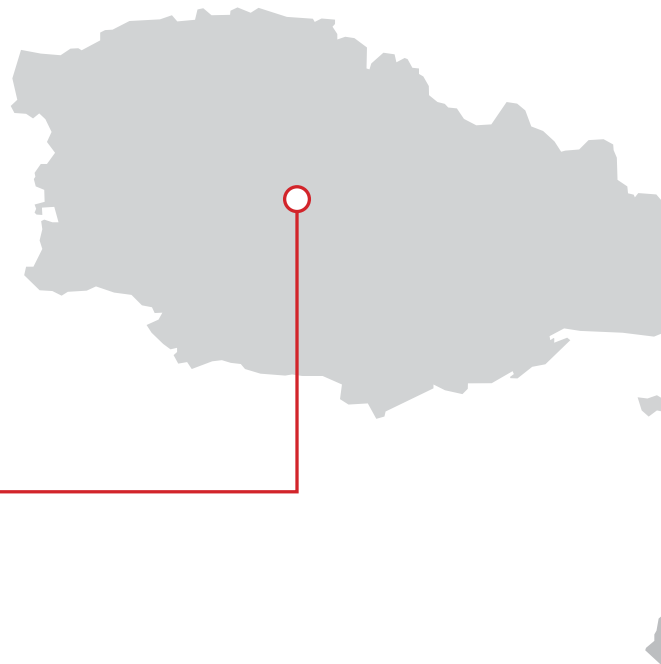
- AML & GDPR - ISACA Malta Chapter
- SiGMA Europe Virtual Expo

Foreign Events

- AIBC Americas Digital Summit
- Esports in the Times of the Coronavirus
- European Gaming News Panel
- SiGMA Americas Summit
- SiGMA Deep Tech
- The Big Compliance Festival - International Compliance Association (ICA)

Appendix 2: Statistical Regions and Districts of Malta

Local Administrative Units (LAUs)



GOZO AND COMINO

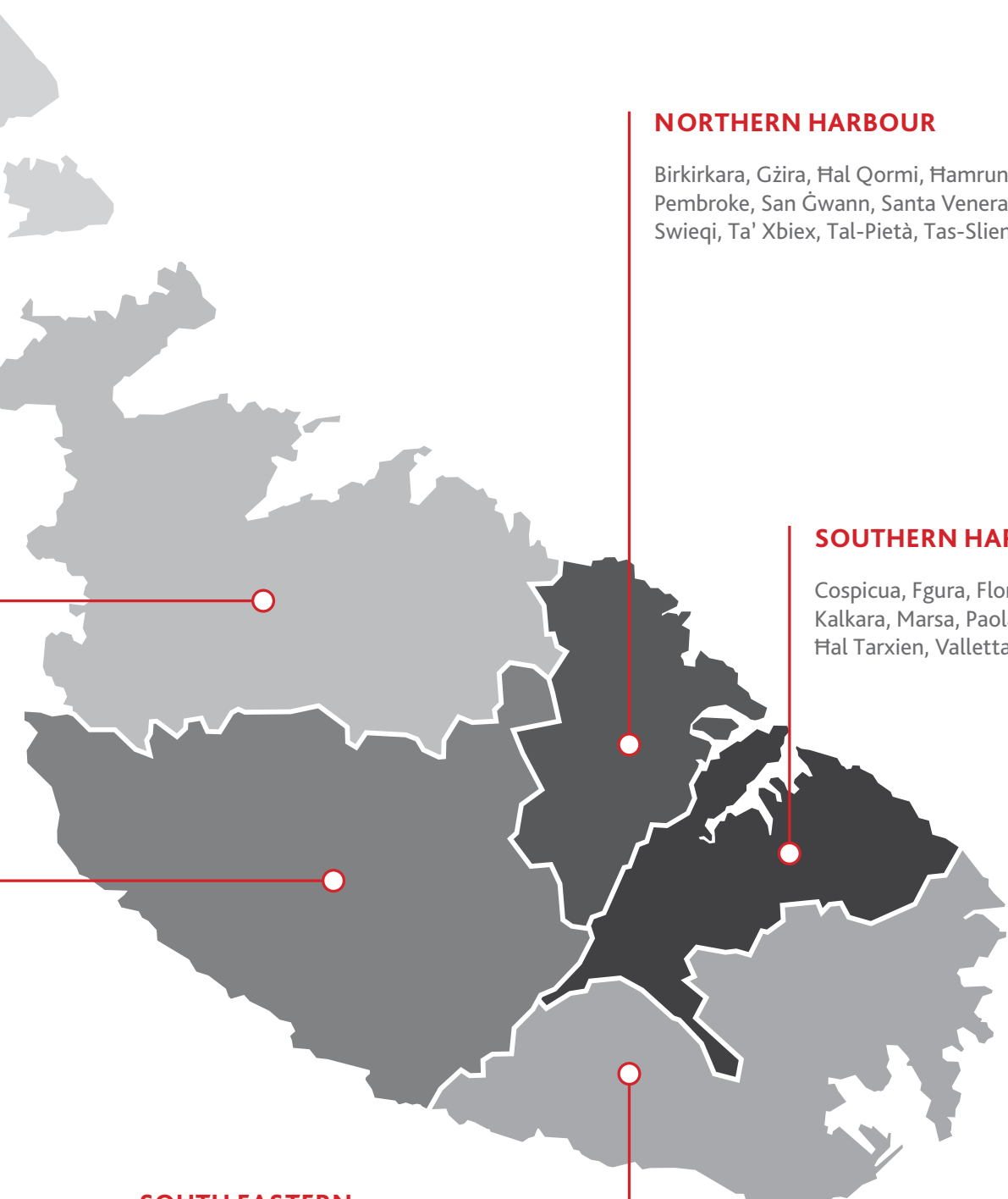
Fontana, Għajnsielem, Għarb, Għasri, Munxar, Nadur, Qala, San Lawrenz, Ta' Kerċem, Ta' Sannat, Victoria, Xagħra, Xewkija, Żebbuġ.

NORTHERN

Ħal Għargħur, Mellieħa, Mgarr, Mosta, Naxxar, St Paul's Bay.

WESTERN

Ħad-Dingli, Ħal Balzan, Ħal Lija, Ħ'Attard, Ħaż-Żebbuġ, Iklin, Mdina, Mtarfa, Rabat, Siġġiewi.



NORTHERN HARBOUR

Birkirkara, Gżira, Hal Qormi, Hamrun, Msida, Pembroke, San Ġwann, Santa Venera, St Julian's, Swieqi, Ta' Xbiex, Tal-Pietà, Tas-Sliema.

SOUTHERN HARBOUR

Cospicua, Fgura, Floriana, Hal Luqa, Haż-Żabbar, Kalkara, Marsa, Paola, Santa Luċija, Senglea, Hal Tarxien, Valletta, Vittoriosa, Xgħajra.

SOUTH EASTERN

Birżebbuġa, Gudja, Hal Għaxaq, Hal Kirkop, Hal Safi, Marsaskala, Marsaxlokk, Mqabba, Qrendi, Żejtun, Żurrieq.



Financial Statements 2020



| General Information

Registration

The Malta Gaming Authority (hereinafter referred to as the 'Authority') was established by virtue of the Gaming Act, Chapter 583 of the Laws of Malta.

Board of Governors of the Authority

Ryan Pace Chairperson Designate
Carmen Ciantar
Roberto Francalanza
Caesar Grech
Juliana Scerri Ferrante
Ruth Trapani Galea Feriol

Chief Executive Officer

Carl Brincat

Secretary of the Board of the Authority

Adrian Caruana

Head Office

Malta Gaming Authority
Building SCM 02-03, Level 4
SmartCity Malta
Ricasoli SCM1001
Malta

Auditor

Ernst & Young Malta Limited
Certified Public Accountants
Regional Business Centre
Achille Ferris Street
Msida MSD 1751
Malta

| Report of the Board of Governors of the Authority

The Board of Governors of the Authority (hereinafter referred to as the 'Board of the Authority') submit their annual report and the audited financial statements for the year ended 31 December 2020.

Principal Activity

The Authority was established by virtue of the Gaming Act, Chapter 583 of the Laws of Malta for the purpose of carrying out the functions defined in the said Act.

Results

The operating revenue net of dormant funds, and release of unclaimed player funds generated by the Authority during the year amounted to EUR78,655,770 (2019: EUR82,727,786). After deducting all expenditure net of provision for claims and finance income of EUR12,140,443 (2019: EUR13,394,399) the Authority registered a surplus for the year of EUR66,515,327 (2019: EUR69,333,387). The Authority transferred EUR 67,873,453 (2019: EUR72,295,918) to the Government of Malta.

Board of Governors of the Authority

The members of the Board of the Authority who acted in such position during the year under review are listed on page 100.

Chairperson

In accordance with Article 6(4) and the First Schedule of the Gaming Act, Chapter 583 of the Laws of Malta, the Chairperson and the other members of the Board of the Authority are appointed by the Minister responsible for the gaming sector.

Auditors


Ernst & Young Malta Limited have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the next meeting of the Board of the Authority.

The Report of the Board of Governors of the Authority is signed on their behalf by:



Ryan Pace
Chairperson Designate

21 April 2021



Caesar Grech
Board Member

Independent Auditor's Report to the Board of Governors of Malta Gaming Authority

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the Authority, which comprise the statement of financial position as at 31 December 2020 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies on pages 104 to 122.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the Gaming Act, Chapter 583 of the Laws of Malta.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board of Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 of the Laws of Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information obtained at the date of the auditor's report is the 2020 Board of Governors Report. The Board of the Authority is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Governors' Responsibility for the Financial Statements

The Board is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Gaming Act, Chapter 583 of the Laws of Malta, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of the Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



*The partner in charge of the audit resulting in this independent auditor's report is
Shawn Falzon for and on behalf of
Ernst & Young Malta Limited
Certified Public Accountants*

21 April 2021

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Notes	2020 €	2019 €
Revenue	5	77,311,474	81,703,563
Administrative and other expenses	6	(12,083,032)	(13,210,252)
Operating surplus		65,228,442	68,493,311
Release of unclaimed player funds		1,344,296	1,024,223
Decrease/(Increase) of provision for claims	14	82,366	(35,000)
Finance income	8	109	352
Finance costs	17	(139,886)	(149,499)
Surplus for the year		66,515,327	69,333,387

The accounting policies and explanatory notes on pages 108 to 122 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Notes	2020 €	2019 €
ASSETS			
Non-current assets			
Intangible assets	10	607,977	853,387
Property, plant and equipment	11	6,735,590	7,410,873
		7,343,567	8,264,260
Current assets			
Trade and other receivables	12	6,146,952	7,257,065
Cash at bank and in hand	16	10,760,742	10,058,710
		16,907,694	17,315,775
TOTAL ASSETS		24,251,261	25,580,035
EQUITY AND LIABILITIES			
Equity reserve	13	250,000	250,000
Reserve fund	13	4,103,922	4,888,129
Unclaimed Prizes Reserve	13	-	-
		4,353,922	5,138,129
Non-current liabilities			
Provision for claims	14	790,000	925,000
Finance lease liabilities	17	3,435,998	3,659,673
		4,225,998	4,584,673
Current liabilities			
Trade and other payables	15	15,390,531	15,603,242
Finance lease liabilities	17	280,810	253,991
		15,671,341	15,857,233
Total liabilities		19,897,339	20,441,906
TOTAL EQUITY AND LIABILITIES		24,251,261	25,580,035

The accounting policies and explanatory notes on pages 108 to 122 form an integral part of the financial statements.

The financial statements on pages 104 to 122 have been authorised for issue by the Board of the Authority on 21 April 2021 and were signed on their behalf by:



Ryan Pace
Chairperson Designate



Caesar Grech
Board Member

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Unclaimed Prizes €	Reserve Fund €	Equity Reserve €	Total €
At 1 January 2020	-	4,888,129	250,000	5,138,129
Appropriation from statement of comprehensive income	788,871	65,726,456	-	66,515,327
Unclaimed prizes transferred in terms of the Gaming Act, Chapter 583 of the Laws of Malta and the applicable regulatory instruments issued thereunder	573,919	-	-	573,919
Payments made to/or on behalf of Government in terms of the Gaming Act, Chapter 583 of the Laws of Malta and the applicable regulatory instruments issued thereunder	(1,362,790)	(66,510,663)	-	(67,873,453)
At 31 December 2020	-	4,103,922	250,000	4,353,922
At 1 January 2019	-	7,138,455	250,000	7,388,455
Appropriation from statement of comprehensive income	969,193	68,364,194	-	69,333,387
Unclaimed prizes transferred in terms of the Gaming Act, Chapter 583 of the Laws of Malta and the applicable regulatory instruments issued thereunder	712,205	-	-	712,205
Payments made to/or on behalf of Government in terms of the Gaming Act, Chapter 583 of the Laws of Malta and the applicable regulatory instruments issued thereunder	(1,681,398)	(70,614,520)	-	(72,295,918)
At 31 December 2019	-	4,888,129	250,000	5,138,129

The accounting policies and explanatory notes on pages 108 to 122 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Notes	2020 €	2019 €
Operating activities			
Surplus for the year		66,515,327	69,333,387
Adjustment to reconcile surplus for the year to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment		877,785	974,687
Amortisation of intangible assets		377,628	398,423
Grant Amortisation		195,615	176,010
Increase in provision for doubtful debts		308,465	831,214
Increase/(Decrease) in provision for claims		(82,366)	35,000
Finance income		(109)	(352)
Working capital adjustments:			
Decrease/Increase in trade and other receivables		801,648	2,286,698
Decrease/Increase in trade and other payables		(593,455)	(1,040,800)
Net cash flows from operating activities		68,400,538	72,994,267
Investing activities			
Purchase of property, plant and equipment		(266,863)	(460,891)
Purchase of intangible assets		(132,218)	(432,180)
Interest received		109	352
Net cash flows used in investing activities		(398,972)	(892,719)
Financing activities			
Receipts on behalf of Government		573,919	712,205
Payments made to Government		(67,873,453)	(73,008,123)
Net cash flows used in financing activities		(67,299,534)	(72,295,918)
Net movement in cash and cash equivalents		702,032	(194,370)
Cash and cash equivalents at 1 January		10,058,710	10,253,080
Cash and cash equivalents at 31 December	16	10,760,742	10,058,710

The accounting policies and explanatory notes on pages 108 to 122 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Authority is established by virtue of the Gaming Act, Chapter 583 of the Laws of Malta. The principal activity of the Authority is to govern and supervise the gaming sector in Malta.

2.1 BASIS OF PREPARATION

These financial statements have been prepared on a historical cost basis and are presented in Euro.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and comply with the Gaming Act, Chapter 583 of the Laws of Malta.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Standards, interpretations and amendments to published standards as endorsed by the EU effective in the current year

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective during the year:

- IFRS 16: Leases Covid 19 – Related Rent Concessions (issued on 28 May 2020) (effective for financial year beginning on or after 1 June 2020);
- Amendments to IFRS 3: Business Combinations (effective for financial year beginning on or after 1 June 2020);
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (issued on 26 September 2019 and effective for financial year beginning on or after 1 January 2020);
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) (effective for financial year beginning on or after 1 January 2020); and
- Amendments to References to the Conceptual Framework in IFRS (issued on 29 March 2018) (effective for financial year beginning on or after 1 January 2020).

The adoption of these standards did not have significant impact on the financial statements or performance of the Authority.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Authority. The Authority has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Standards, interpretations and amendments to published standards as adopted by the EU which are not yet effective

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Authority has not early adopted but plans to adopt upon their effective date. The changes resulting from these standards are not expected to have a material effect on the financial statements of the Authority. The new and amended standards follow:

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - *continued*

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform-Phase 2 (issued on 27 August 2020).

Standards, interpretations and amendments that are not yet endorsed by the EU

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet adopted by the EU. The Authority plans to adopt the new standards upon their effective date. The new and amended standards follow:

- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively);
- Amendments to IFRS 3: Business Combinations (effective for financial year beginning on or after 1 January 2020), IAS 16: Property, Plant and Equipment, IAS 37: Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements 2018-2020;
- Amendments to IAS 1: Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued on 12 February 2021); and
- Amendments to IAS 8: Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021).

3. SUMMARY OF ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are set out below:

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for licenses, compliance contribution and levies and application fees in the normal course of business. All revenue is recognised on the accrual basis. The following specific recognition criteria must also be met before revenue is recognised:

Licences

Revenue is recognised when the licence becomes due. It is accounted for on a straight-line basis over the term of the licence.

Application fees

Revenue is recognised upon receiving the consideration together with a valid application form.

Compliance contribution and levies

Depending on the type of licence, revenue from compliance contribution and levies is either charged on a fixed fee basis or is based on a percentage of the regulated companies' reported revenue, up to a capped amount for remote gaming companies.

Penalties and other fees

Penalties and other fees represent enforcement penalties imposed by the Authority. Penalties and other fees are accounted for on an accrual basis and are recognised when realisation is probable and the amount can be measured reliably.

I NOTES TO THE FINANCIAL STATEMENTS - *continued*

3. SUMMARY OF ACCOUNTING POLICIES - *continued*

Interest income

Interest income is recognised as the interest accrues, unless collectability is in doubt.

Trade and other receivables

Trade receivables are recognised and carried at original amount due less an allowance for any uncollectible amounts. An estimate for impairment is made when collection of the full amount is no longer probable. Impaired debts are derecognised when they are assessed as uncollectible.

Amounts due from related parties are recognised and carried at cost.

Impairment of financial assets

The Authority recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Authority expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Authority applies a simplified approach in calculating ECLs. Therefore, the Authority does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Authority has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Cash and cash equivalents

Cash in hand and at banks and term deposits which are held to maturity are carried at cost. Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash in hand and deposits at banks, net of overdrawn bank balances.

Grant

Grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

3. SUMMARY OF ACCOUNTING POLICIES - *continued*

Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Authority.

Amounts due to related parties are carried at cost.

Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation expense on intangible assets is recognised in the statement of comprehensive income. Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	%
Computer software	25

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and/or accumulated impairment losses, if any. Depreciation is calculated to write off the cost of the property, plant and equipment on a straight-line basis over their expected useful life as follows:

	%
Leasehold improvements	6.67
Furniture and fittings	10 - 16.67
Office equipment	16.67 - 25
Motor vehicles	20
Computer equipment	25

Gains and losses arising on de-recognition upon disposal of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

I NOTES TO THE FINANCIAL STATEMENTS - *continued*

3. SUMMARY OF ACCOUNTING POLICIES - *continued*

Leases

The Authority assesses at contract inception whether a contract is, or contains a lease. That is if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Authority applies a single recognition and measurement approach for all leases, except for short term leases and leases of low value assets. The Authority recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

Right-of-use assets

The Authority recognises right-of-use assets at the commencement date of the lease (i.e. the date the available asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease the Authority recognises lease liabilities at the present value of future lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include payments of penalties for terminating the lease if the lease term reflects the Authority exercising the option to terminate.

In calculating the present value of lease payments the Authority uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of any options related to the lease.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES & ASSUMPTIONS

In preparing the financial statements, the Board is required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted in the period the change becomes known.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES & ASSUMPTIONS

- continued

Provisions for claims and contingent liabilities

Claims have been made against the Authority by third parties. Judgement is required to determine whether these claims will require an outflow of resources and whether these could be reliably estimated. The Authority quantifies the claims based on the damages and determines the probability of the outflow based on the advice provided by the legal counsel.

Where the Authority believes that the claims would probably result in an outflow of resources and can be reliably estimated, a provision is recognised. Where there is a possible obligation, but probably there will not be an outflow of resources, no provision is recognised whilst a contingent liability is disclosed.

In the opinion of the Board, the accounting estimates, assumptions and judgements other than those mentioned above, made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised) - 'Presentation of financial statements'.

5. REVENUE

Revenue comprises the following:

	2020 €	2019 €
Licence fees	8,453,770	8,114,631
Application fees	295,000	477,605
Other revenue	3,523,286	817,276
Total Authority fees	12,272,056	9,409,512
Compliance contribution & levies	65,039,418	72,294,051
Total revenue	77,311,474	81,703,563

As at year ended 31 December 2020, the Authority also issued Notices governing administrative penalties amounting to EUR189,500 which became or will become due through the issuance of the subsequent and final enforcement measure. The fees generated will be recognized as income once the Authority's position is confirmed.

I NOTES TO THE FINANCIAL STATEMENTS - *continued*

5. REVENUE - *continued*

Number of licences in issue at end of year:

	2020 No.	2019 No.
Commercial bingo houses	4	4
Casinos	4	4
Gaming parlours	60	56
National lotteries	1	1
Remote online gaming licences	318	287
Total number of licences at end of year	387	352

6. EXPENSES BY NATURE

	2020 €	2019 €
Auditor's remuneration	26,550	26,550
Chairperson's emoluments and Board honoraria (note 18)	49,876	50,295
Staff costs (note 7)	7,214,566	7,222,468
General administrative expenses	1,174,829	1,157,603
Professional fees	760,587	861,333
Promotional expenses	402,735	843,759
Depreciation and amortisation on property, plant and equipment and intangible fixed assets (notes 10 and 11)	1,118,734	1,197,101
Provision for doubtful debts (note 12)	308,465	831,214
Contributions to other entities	1,026,690	1,019,929
Total administrative and other expenses	12,083,032	13,210,252

7. EMPLOYEE INFORMATION

a. Staff costs

The total employment staff costs were as follows:

	2020 €	2019 €
Salaries	6,472,721	6,421,681
Social security costs	419,059	395,117
Fringe benefits	163,311	161,005
	7,055,091	6,977,803
Other related costs	159,475	244,665
	7,214,566	7,222,468

b. Staff number

The number of persons employed by the Authority as at 31 December 2020 and 31 December 2019 was as follows:

	2020 No.	2019 No.
	176	169

8. FINANCE INCOME

	2020 €	2019 €
Interest receivable on bank balances	109	352

9. TAXATION

No provision for Malta income tax has been made in these financial statements as the Authority's income is exempt from any liability to income tax.

I NOTES TO THE FINANCIAL STATEMENTS - *continued*

10. INTANGIBLE FIXED ASSETS

Intangible fixed assets pertain to software costs of the Authority. The movement in intangible fixed assets is as follows:

Cost	Computer software €
At 1 January 2019	1,603,757
Additions	432,180
At 31 December 2019	2,035,937
Additions	132,218
At 31 December 2020	2,168,155
Amortisation	
At 1 January 2019	784,127
Amortisation for the year	398,423
At 31 December 2019	1,182,550
Amortisation for the year	377,628
At 31 December 2020	1,560,178
Net book value	
At 31 December 2020	607,977
At 31 December 2019	853,387

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Property, plant and equipment owned by the Authority

Cost	Leasehold improvements €	Furniture and fitting €	Office equipment €	Motor vehicles €	Computer equipment €	Total €
At 1 January 2019	3,112,193	1,540,721	536,289	151,128	647,607	5,987,938
Additions	2,203	36,236	1,021	-	421,431	460,891
Disposals	-	-	(4,339)	-	-	(4,339)
At 31 December 2019	3,114,396	1,576,957	532,971	151,128	1,069,038	6,444,490
Additions	-	1,989	7,205	136,896	120,773	266,863
Disposals	-	(4,224)	-	-	(30,138)	(34,362)
At 31 December 2020	3,114,396	1,574,722	540,176	288,024	1,159,673	6,676,991

Depreciation

At 1 January 2019	726,850	515,674	395,835	132,422	500,902	2,271,683
Depreciation charge for the year	204,004	171,638	72,280	15,163	175,414	638,499
Release on disposal	-	-	-	-	(30,138)	(30,138)
At 31 December 2019	930,854	687,312	468,115	147,585	646,178	2,880,044
Depreciation charge for the year	204,139	173,389	32,995	10,385	120,550	541,458
At 31 December 2020	1,134,993	860,701	501,110	157,970	766,728	3,421,502

Net book value

At 31 December 2020	1,979,403	714,021	39,066	130,054	392,945	3,255,489
At 31 December 2019	2,183,542	889,645	64,856	3,543	422,860	3,564,446

I NOTES TO THE FINANCIAL STATEMENTS - continued

11. PROPERTY, PLANT AND EQUIPMENT - continued

11.1 Property, plant and equipment owned by the Authority - continued

The Authority has moved into new premises during November 2015. The Authority has undertaken significant improvements to these new premises. Whilst most of the improvements have been in place as at year end, the project was fully completed in the first quarter of 2016.

11.2 RIGHT-OF-USE ASSET – LEASEHOLD PROPERTY

	2020 €	2019 €
IFRS 16 adjustment	4,212,754	4,212,754
Cost at 31 December	4,212,754	4,212,754
Depreciation for the year	366,326	366,327
Accumulated Depreciation at 31 December	732,653	366,327
Net book Value at 31 December	3,480,101	3,846,427

12. TRADE AND OTHER RECEIVABLES

	2020 €	2019 €
Compliance Contribution, Levies and Licences receivable and accrued income (note i,ii,iii)	5,604,584	6,609,029
Prepaid expenses	375,487	376,135
Deposits and Other Receivables	166,881	271,901
	6,146,952	7,257,065

- i. At 31 December 2020, Compliance Contribution, Levies and Licences receivable at nominal value of EUR 2,897,658 (2019: EUR2,589,193) were impaired and fully provided for (Note 12).

Provision for doubtful debts	2020 €	2019 €
Opening balance	2,589,193	1,757,979
Increase in provision for doubtful debts	308,465	831,214
Closing balance	2,897,658	2,589,193

12. TRADE AND OTHER RECEIVABLES - *continued*

- ii. As at the balance sheet date, the ageing analysis of Compliance Contribution, Levies and Licences receivable is as follows:

	Total €	Neither past due nor impaired €	Past due but not impaired			
			<30 days €	31-60 days €	61-90 days €	>90 days €
2020	5,604,584	5,154,184	125,456	264,719	43,921	16,304
2019	6,609,029	5,832,202	435,485	71,407	22,595	247,340

- iii. Accrued income included with Compliance Contribution, Levies and Licences receivable comprise of compliance contribution payable to the Authority for which no request for payment has been issued yet.

13. RESERVES

a. Equity reserve

Funds for the creation of the Reserve have been retained from the gaming taxes collected. This was transferred to Equity reserve with approval of the Ministry of Finance.

b. Reserve fund

The Reserve Fund represents accumulated excess of revenue over expenditure.

c. Unclaimed prizes reserve

The National Lottery Licensee is to pay funds standing in its unclaimed prizes reserve to the Authority. The Authority shall appropriate such funds in accordance with the Gaming Act (Chapter 583 of the Laws of Malta) and any other applicable regulatory instrument issued thereunder.

14. PROVISION FOR CLAIMS AND CONTINGENT LIABILITIES

Provision for claims

During 2014, a gaming operator initiated, court proceedings against the Authority claiming loss of profits from the Authority in the region of EUR790,000. The Authority with the assistance of legal counsel rebuts these claims.

Contingent liabilities

During 2016 an operator-initiated court proceedings against the Authority. The Authority is contesting these claims and continues to follow the advice of its legal counsel. Court proceedings are in the initial stages and the damages, if any, cannot be reliably estimated. Accordingly, no provision for any liability has been made in these financial statements.

Up to the date of the authorisation of these financial statements, there were no other material claims made against the Authority that are expected to lead to a possible obligation.

I NOTES TO THE FINANCIAL STATEMENTS - *continued*

15. TRADE AND OTHER PAYABLES

	2020 €	2019 €
Unclaimed player deposits (note i)	7,600,424	8,530,803
Deferred income	5,433,932	4,703,430
Advances received from operators	992,756	1,218,419
Trade and Other payables	777,636	518,709
Accruals	585,783	631,881
	15,390,531	15,603,242

- i. Balance includes unclaimed player deposits and dormant accounts from Remote Gaming operators which are passed on to the Authority by the licensee when no transactions have been recorded on players' account for more than thirty months.

16. CASH AND CASH EQUIVALENTS

Cash and short-term deposits consist of cash in hand and balance with banks. Cash and cash equivalents included in the statement of cash flows reconcile to the statement of financial position amounts as follows:

	2020 €	2019 €
Cash at bank and in hand	10,760,742	10,058,710

17. FINANCE LEASE LIABILITIES

	2020 €	2019 €
Current		
Finance Lease Liabilities (i)	280,810	253,991
Non-current		
Finance Lease Liabilities (i)	3,435,998	3,659,673

- i. Finance lease liabilities bear interest at the rate of 3.6% per annum

18. RELATED PARTY DISCLOSURES

Related party	Year	Total transactions with related parties €	Amounts owed to related parties at year end €	Type of transaction
Government of Malta - The Treasury	2020	67,873,453	-	Payments made to/on behalf of gov
Government of Malta - The Treasury	2019	72,295,918	-	Payments made to/on behalf of gov

Key management personnel

The Chairperson and the Board of the Authority are considered to be key management personnel. Included in 'Administrative and other expenses' (note 6) are salaries paid to the Chairperson and Board amounting to EUR 49,876 (2019: EUR50,295).

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

At the year end, the Authority's main financial assets on the statement of financial position comprise trade and other receivables, and cash at bank and in hand. At the year end, there were no financial assets off the statement of financial position.

At the year end, the Authority's main financial liabilities on the statement of financial position consisted of amounts due to government, other payables, accruals and deferred income.

Contractual maturity profile of financial liabilities

The presentation of the financial assets and liabilities listed above under the current and non-current headings within the statement of financial position is intended to indicate the timing in which cash flows will arise. The maturity profile of the financial liabilities of the Authority as at year end is as disclosed in note 15 and 17.

Credit risk

The Authority trades only with licensed, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Authority's exposure to impaired debts is not significant. Carrying amounts for trade receivables are stated net of any impairment provisions, when necessary, which are prudently made against debts in respect of which management reasonably believes that recoverability is doubtful. Credit risk with respect to debts is limited due to the number of licensees comprising the Authority's debtors' base. The Authority's cash at bank is placed with quality financial institutions. The Authority has no significant concentration of credit risk.

I NOTES TO THE FINANCIAL STATEMENTS - *continued*

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *- continued*

Liquidity risk

Liquidity risk is the risk the Authority will not be able to meet its financial obligations as they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal or stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation.

Fair values

The carrying amounts of cash at bank and in hand, trade receivables, trade payables and accrued expenses approximated their fair values.

Interest rate risk

With the exception of cash and bank balances, the value of the Authority's assets and liabilities are not subject to interest-rate movements.

SUPPLEMENTARY STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

ADMINISTRATIVE AND OTHER EXPENSES

	31 December 2020		31 December 2019	
	€	€	€	€
Salaries and national insurance	7,214,566		7,222,468	
Training	49,285		140,437	
Other staff costs	8,270		16,388	
Staff and ancillary costs		7,272,121		7,379,293
Chairperson's emoluments and Board honoraria	49,876		50,295	
Subcontracted services	-		14,528	
Telecommunications	43,885		50,717	
IT and Ancillary Costs	474,302		446,794	
Water and electricity	34,057		43,812	
Rent	-		1,865	
Insurance and licences	70,949		60,972	
Postage, stationery and printing	22,178		45,753	
Office expenses	23,689		27,265	
Motor vehicle running expenses	42,699		59,293	
Bank charges	11,036		6,796	
Cleaning expenses	7,582		12,570	
Subscriptions	147,613		129,463	
Repairs and maintenance	137,954		107,022	
Business development expenses	4,516		9,967	
Overseas travelling	39,264		135,505	
Seminars and conferences	3,125		5,281	
General administrative expenses		1,112,725		1,207,898
Professional fees	202,853		189,292	
Auditors' remuneration	26,550		26,550	
Due Diligence consultancy fees	580,904		485,621	
Legal fees	31,255		29,595	
Professional fees		841,562		731,058
Promotional Expenses		402,735		843,759
Depreciation and amortisation		1,118,734		1,197,101
Provision for doubtful debts		308,465		831,214
Contributions to other entities		1,026,690		1,019,929
		12,083,032		13,210,252



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