



# **The Maltese Gaming Industry**

*Interim Report  
January–June 2020*

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## 1 Introduction

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

The Authority's key functions include:

- regulating gaming;
- supervising licensees and overseeing gaming operations;
- ensuring fitness and properness of individuals and companies in possession of a licence issued by the MGA;
- ongoing monitoring and ensuring 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 in line with the MGA 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.

It is the MGA's mission to regulate competently the various sectors of the gaming industry that fall under the Authority by ensuring that gaming is fair and transparent to the players, by preventing crime, corruption, and money laundering, and by protecting minor and vulnerable players.

The Authority's vision is to:

- sustain Malta's position as one of the most reputable jurisdictions in the gaming industry;
- raise standards within the gaming sector globally to make gaming fairer and safer, protecting the interests of consumers;
- 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.

## 2 Key Highlights

- During the first six months of 2020, the MGA and the Financial Intelligence Analysis Unit (FIAU) signed an updated version of the Memorandum of Understanding (MoU) which brought forth better co-operative instruments for the supervision of Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) in the gaming sector;
- In order to raise awareness on the AML/CFT, during the first half of 2020, the MGA organised a training session for the industry by means of a webinar. This focused mainly on common AML/CFT shortcomings, the emerging money laundering and terrorism financing (ML/TF) threats, and typologies in the wake of the COVID-19 pandemic and Digital ID methods, including a question-and-answer session with FIAU representatives;
- The MGA's Fit & Proper Committee held 20 meetings throughout the first six months of 2020 with a total of 132 decisions taken. The Committee issued a total of five refusals of individuals and companies, due to them being assessed as not fit and proper on the basis of mitigating the risks of ML/TF. Furthermore, the Committee issued 35 conditional verdicts whereby further information and/or documentation was required to proceed with the final decision. The remaining decisions taken during the first six months of 2020 were pertinent to procedural matters in light of the limitations imposed due to the COVID-19 pandemic;
- During the period under review, a Consultation Paper on Suspicious Betting Reporting Requirements & Other Sports Integrity Measures was published in preparation for the implementation of the Suspicious Betting Reporting Requirements which will oblige Business-to-Consumer (B2C) licensees offering betting on sporting events to inform the Authority of any instance of suspicious betting;
- Recognising the importance of establishing data-sharing agreements with relevant stakeholders, including sport governing bodies and other platforms whose function includes the detection of suspicious betting activities, the MGA signed a total of four agreements, namely a data-sharing agreement with the International Cricket Council, the Swedish Football Association, the Darts Regulation Authority and the World Professional Billiards & Snooker Association;
- Between January and June 2020, the Commercial Communication Committee of the MGA has taken action against 10 adverts or promotions that, in the opinion of the Committee, inappropriately exploited the COVID-19 pandemic;
- Between January and June 2020, following information which emerged from compliance audits, compliance reviews, and formal investigations, the Authority issued 11 warnings, suspended two licences, and cancelled another seven. In addition, the MGA issued a total of nine administrative fines;

- The Authority has received 40 international co-operation requests and has sent 25 such requests. These covered various areas, including sports integrity, criminal activity by players, adverse media reports, locally licensed operators and entities not holding a licence, as well as the Authority's authorisation process and the regulatory regime;
- In order to facilitate the ongoing close communication between authorities and the effective sharing of information, the Authority entered into an MoU with the Malta Business Registry (MBR);
- In its efforts to boost knowledge sharing and co-operation with international counterparts, the MGA has hosted a delegation of members of the Lotteries and Gaming Board and the Ministry of Home Affairs and Cultural Heritage of the Republic of Zimbabwe;
- During the period under review, a total of 833 criminal probity screening tests were carried out, covering both land-based and remote gaming activities; and
- During the first six months of 2020 the Player Support Unit received a total of 2,431 requests for assistance and resolved 2,433 queries (with the latter covering some requests which were still pending at the end of 2019). The COVID-19 pandemic has affected players differently and as a result a 38% increase year-on-year was registered in the number of requests received during this period.

## 3 An Assessment of First Six Months of 2020

The first half of 2020 has been marked by unprecedented challenges due to the COVID-19 pandemic. The Authority has strived to adjust its business processes and adapt its day-to-day operations, to continue effectively and competently regulating the sector while ensuring that gaming remains fair, transparent, and free from crime.

### 3.1 Developments within the Regulatory Function of the Authority

#### 3.1.1 Fit and Proper Considerations

The Fit and Proper Committee is entrusted with evaluating and deciding whether the individuals and entities that are applying for or are already in possession of an MGA gaming licence satisfy the requirement of being fit and proper to hold such a licence. Complex matters are referred to for the consideration of the Committee, to ensure uniformity and consistency in decision-making. The Committee has a significant track record, having now convened on more than 140 occasions since its formation in August 2016.

In 2020, for the period of January to June, the Fit and Proper Committee convened 20 times, wherein a total of 132 decisions were taken. Out of these decisions, five pertained to the refusal of individuals and companies, due to them being assessed as not fit and proper on the basis of mitigating the risks of ML/TF. In addition, 35 decisions pertained to instances wherein the Committee felt that the Authority ought to request further documentation and/or declarations from the applicant or licensee prior to deciding on their fit and proper status, for the sake of ensuring their integrity and reputability. The majority of the decisions taken during such period were pertinent to procedural matters in light of the limitations imposed due to the COVID-19 pandemic.

#### 3.1.2 Criminal Probity Screening

One of the primary objectives of the Authority is to ensure that Malta's gaming industry remains free from money laundering and the financing of terrorism. Hence criminal probity screening checks are essential to ascertain the criminal probity of directors, shareholders, ultimate beneficial owners, key persons, and entities associated with the prospective licensee or licence holder. The undertaking of in-depth criminal probity screening checks and the verification of all documentation submitted by the applicant ensures from the very beginning whether an applicant is fit and proper, from a criminal probity perspective. Also, adequate measures are in place to determine the identity of the beneficial owners behind the prospective licensee or licence holder, which measures involve the effective monitoring of the proposed operations, establishing the risk posed by the said prospective licensee or licence holder, and accessing relevant information relating to involved persons in a timely manner.



Furthermore, every individual which has undergone a criminal probity screening check is continuously screened in relation to adverse media and sanctions, through an ongoing monitoring tool which provides the MGA with any new information concerning applicants, and enables it to take the necessary action on time. In addition, stronger collaboration between the Authority and the FIAU is making the criminal probity screening checks more robust, since entities and individuals on which a screening process is conducted by the Authority are also vetted by the FIAU on the basis of whether any one or more of the persons concerned has been subject to an investigation by the FIAU.

The criminal probity screening checks are conducted using various online platforms and data, which are available through open sources, as well as by contracting third-party service providers. Through the latter's professional assistance, the MGA ensures that it is enhancing the effectiveness of its criminal probity screening checks in establishing the criminal probity of both applicants as well as existing licensees. This is vital for the Authority since the overall outcome of the screening procedure is presented before the Authority's Fit and Proper Committee, which forum is responsible in delivering a final decision with regards to the fitness and properness of applicants. Through the first six months of 2020, a total number of 833 criminal probity screening checks were carried out, resulting in a 39.5% increase when compared with the same six months of 2019.

### 3.1.3 Authorisations of Gaming Licences and Certificates

Notwithstanding that the first six months of 2020 were characterised by abnormal market conditions due to the COVID-19 pandemic, the Authorisations Directorate continued to receive a number of authorisations and notifications requests, such as changes to any key functions, key technical setup and essential components, games and game verticals, material supplies, and other information and reporting requirements emanating from the regulations. During the period under review, the MGA received a total of 24 applications for gaming licences, coming both from its current licensees as well as new companies.

In addition, the Directorate has implemented a number of procedural changes to enable it to carry out tasks remotely. In fact, several authorisations were issued, bringing the total of gaming licences issued in the first half of 2020 to 40, including licences for which the application had been received during the previous year. Therefore, applications kept on being reviewed and processed, with pertinent matters discussed at either Fit and Proper Committee level, or where necessary, during Supervisory Council meetings, depending on the nature of the issue.

The flexibility offered by Business-to-Business (B2B) and B2C licences proved to be very useful in these particular months of 2020. A good number of operators expanded their gaming activity portfolio to

meet the demands of the market, whilst some verticals, such as Type 2 sports betting were temporarily suspended due to the restrictions on sporting events. These requests were received by the Authorisations team, who ensured that all the relevant checks were made in a timely manner so as to enable licensees to go to market with the new verticals and games in the shortest time possible.

The Authorisations team also renewed some Recognition Notice Certificates, apart from issuing new Certificates applied for by internationally licensed game providers, who operated in and/or from Malta. Throughout this period the Authority received 46 of such applications and issued a total of 26 Recognition Notice Certificates. Similarly, a number of Key Function Certificates were also processed throughout the first six months of 2020.

#### 3.1.4 Effective Compliance

The Compliance Directorate encompasses various compliance functions, with the aim of having a well-functioning compliance mechanism that ensures that any licensed gaming activity is adhering to the rules and regulations that govern this sector.

##### 3.1.4.1 Online Gaming

During the first six months of 2020, the team that focuses purely on the operators' compliance with the regulations, directives, and other regulatory instruments, initiated the risk-based compliance audit plan which eventually fed into a supervisory plan for the Authority's licensees, stipulating the compliance audits that will be undertaken throughout the year. To this end, the first three months of 2020 saw 16 compliance audits initiated by the Authority. Given the nature of the auditing process, which includes face-to-face meetings, the COVID-19 pandemic affected the conclusion of some of the said audits, with others being postponed or having an extended deadline. In June 2020, the Authority resumed the audits, bringing the total number of audits concluded during the first six months of the year to 20 (including any spillover from 2019) while an additional 20 audits were still under review and were carried forward to the second half of the year.

Between January and June 2020, the team also carried out a number of checks on operators, of which some of them warranted drafting of a breach report that have been escalated to the Authority's Compliance and Enforcement Committee through the Enforcement Department. Throughout the period under review, a total of 153 operator checks were completed by the Compliance team, while a total of 41 breach reports were raised. In addition, a total of 21 letters of good standing were issued to various licensees and foreign regulators and a further 24 requests were submitted to the FIAU for prudential information. Furthermore, 54 licence conditions were reviewed and closed off, including requests for additional due diligence documents as well as updated documentation and technical

requirements, while a total of 56 incident reports, relating to security and/or compliance issues reported by licensees, were also reviewed and closed off.

#### *3.1.4.2 Land-based Gaming*

Focusing particularly on the compliance of licensed operators that offer land-based gaming activities, the team strived to ensure that all land-based licensees continued to keep their licence compliant and in good standing with their licence conditions and all regulatory instruments. This was imperative during the period under review since land-based establishments 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, 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. During the period under review, the team also collaborated closely with the Authority's Inspectorate team to ensure that licensees were not infringing any of the directives issued by the Health Authorities.

The team enhanced further its collaboration with the Commissioner for Voluntary Organisations and has 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. As expected, as a result of measures introduced by the Government to combat the pandemic, the number of applications received for low risk games was much lower than in previous years.

#### *3.1.4.3 Regulatory Supervision*

Another focus area of the Compliance function is the regulatory supervision function which ensures that player funds remain a separate patrimony from the funds of the licensee as well as act as an early warning system on the financial position of licensees. During the first six months of 2020, a total of 1,242 monthly player funds reports were reviewed while a total of 12 data extractions were carried out.

Furthermore, together with the Compliance team, an exercise was undertaken to identify high-risk operators exhibiting minimal activity. Licensees that were identified as displaying minimal player activity were required to submit a plan to the Authority to increase their activity within a stipulated time period.

#### *3.1.4.4 Compliance in terms of Anti-Money Laundering Regulations*

During the first six months of 2020, the team responsible for the compliance of AML regulations focused on updating and revising the implementing procedures of both the land-based and online

gaming sectors, organising training for the industry, consolidating the team's recruitment, as well as refining the supervision methodology to carry out better examinations on a risk-based approach.

In conjunction with the FIAU, the Authority published the Implementing Procedures Part II for the Remote Gaming Sector. The changes carried out were rendered necessary to address amendments to the Prevention of Money Laundering and Funding of Terrorism Regulations (PMLFTR) and the Implementing Procedures – Part I, as well as to reflect realities that FIAU and MGA officers have been encountering in the course of supervisory activities. Simultaneously, both Authorities worked closely together to update the land-based sector Implementing Procedures Part II.

Apart from participating in a number of outreach forums to raise awareness with the industry on AML/CFT, a training session was organised for the industry by means of a webinar. This focused mainly on common AML/CFT shortcomings, the emerging ML/TF threats, and typologies in the wake of the COVID-19 pandemic and Digital ID methods, including a question-and-answer session with FIAU representatives.

In order to meet the requirements of the FIAU's supervisory plans as well as to cover additional AML examinations, the Authority enhanced the technical skillset of the AML compliance team with additional members of staff. During the period under review, the procedure of the AML examinations has been refined considerably in line with the FIAU's supervisory manual, which requires a more elaborate and in-depth evaluation of a subject person's compliance with the AML/CFT regulations. AML examinations are now extended to endure between one to two weeks due to the increased number of interviews with the licensee's employees as well as increased player profile sampling. Between January and June 2020, the AML Unit conducted a total of 10 examinations, eight full scope examinations, one targeted examination, and one supervisory meeting.

With regards to the team's procedure of carrying out interviews with the Money Laundering Relationship Officer (MLRO), the process was further refined with the aim of ensuring a consistent approach towards the quality of MLROs engaged by gaming companies, deemed to be subject persons under the PMLFTR. Throughout the period under review, a total of 24 interviews were carried out. From these, 13 interviewees were approved, nine were approved subject to a follow-up interview after the MLROs were requested to brush up on their AML knowledge, while two were not approved.

Additionally, the team worked towards the issuing of the Directive on the Key Function of the Prevention of Money laundering and the Financing of Terrorism (Directive 3 of 2020). From the coming into force of this directive, B2C Licensees shall ensure that at least one of the Key Function holders vested with exercising the Key Function of the PMLFR must also be an FIAU-registered MLRO in

accordance with the procedures laid down in the directive. The directive became effective as of 20 July 2020, however, B2Cs holding a licence before the coming into force of this directive have been afforded a two-month transitory period to get aligned with the requirements specified in the directive.

The AML compliance team also continued with the monitoring of the gambling patterns of major players at land-based casinos established locally, by analysing the data sent by each casino on a daily basis. Any suspicious patterns or customers are reported to the MGA's MLRO or deputy MLRO for further investigation.

Throughout the period under review, the Authority co-operated closely with its local counterparts involved in the fight against financial crime, primarily the FIAU, the Malta Police Force, the Asset Recovery Bureau and the Sanctions Monitoring Board (SMB). The MGA was in constant communication with these entities through requests for information which required intelligence from the Authority on the gaming sector. These mechanisms induced further co-operation between the relevant entities.

In April 2020, the MGA and the FIAU signed an updated version of their MoU which brought forth better co-operative instruments for the supervision of AML/CFT, particularly on the gaming sector. Apart from conducting examinations in line with FIAU's supervisory plan on a yearly basis, the Authority provides relevant information, statistics and intelligence on gaming operators, which consequently enhances the FIAU's risk determination of the sector and supervision strategies as well as improves the supervisory processes of the gaming sector. Furthermore, the Authority assists the SMB by assessing the operator's compliance with the National Interest (Enabling Powers) Act. Between January and June 2020, a total of 7 reports have been sent to the SMB delineating findings relative to the sanctions monitoring obligations.

#### *3.1.4.5 The Investigations Function*

Investigations of illegal gaming activities, specifically those carried out to or from Malta or through a Maltese legal entity, continued to constitute the core function of the Authority's investigation team together with enhanced collaboration between the pertinent law enforcement agencies, particularly with the Malta Police Force and FIAU, which through a more systematic and effective way of escalating substantial matters, assist each other and exchange information.

Between January and June 2020, the Authority reviewed a total of 14 requests for information received from the FIAU, escalating internally to the relevant committees any instances where illegal activity was suspected. Additionally, the two entities shared between them five spontaneous reports containing information on Maltese companies potentially involved in illegal activities.

The Authority also undertook a series of investigations on online sites which erroneously claim to hold an MGA gaming licence. Such information is typically brought to the MGA's attention through complaints received by players. However, during the past months, the Authority took a step forward and carried out regular open-source monitoring and flagged out such instances on its own initiative by informing the general public that the Authority has no connection with such websites. This proactive approach assisted the community in not becoming a victim of such scams. Where deemed necessary, a number of reports were escalated to the competent authorities.

Additionally, a review of the commercial communications published by the MGA's licensed operators was also undertaken, thus ensuring that licensees are being socially responsible and adhering to the Commercial Communications Regulations. To this end, 30 operators were illegally making direct or indirect references to the COVID-19 pandemic in their advertising and were eventually escalated to the Authority's Commercial Communications Committee for a final review and relevant action.

### 3.1.5 Enforcement Measures

Following the adoption of the new set of guiding principles for the application of enforcement measures towards the end of 2019, which brought about several changes in the process of how the Authority issues enforcement measures, at the beginning of 2020, the Authority started the implementation of such principles. The selection of the appropriate enforcement measure, which is discussed and decided upon in the forum of the Compliance and Enforcement Committee, seeks to achieve the following non-exhaustive aims by ensuring that:

- the licensee rectifies any defaults;
- the interests of the players and those of the general public are adequately safeguarded;
- any financial gain which the Authorised Person may have made through non-compliance is neutralised; and
- the licensed operation can be carried out in adherence to regulatory requirements.

These factors, as well as the mitigating and aggravating circumstances outlined in the guiding principles, are now reflected in the Notice of Breach and Sanction which is issued by the Authority to persons in breach. To this end, the enforcement process is more transparent and persons in breach are given the necessary information to make reasoned submissions before the final enforcement measure is decided and issued.

During the first six months of 2020 the following enforcement actions have been taken:

No. of Enforcement Actions	January - June 2020
No. of warnings	11
No. of notices of breach and sanctions	20
No. of administrative fines	9
No. of suspended licences	2
No. of cancelled licences	7

During the first month of 2020, the Legal and Enforcement Directorate issued the first regulatory settlement which included confiscation of proceeds made through unlicensed gaming activities in breach of the Gaming Act (Chapter 583 of the Laws of Malta), with the total financial penalty imposed amounting to just above €2.34 million.

### 3.1.6 Inspections of Land-Based Activities

In the aftermath of the COVID-19 measures imposed by the Government on 18 March 2020, all inspections were requested to cease due to the closure of the gambling premises. For the integrity of all gaming components, during the closure of casinos process, the Inspectorate unit was mandated to take into account and record all gaming elements stored inside the casinos. This action entailed the inspectors to conduct a re-sealing procedure of all critical points, in order to lessen the possibility of any tampering during the closure period. The opening of gaming establishments resumed on 5 June 2020.

During the closure period, inspections were very limited. Indeed, occasionally inspectors were called to assist casinos with any movements of Electronic Gaming Machines and rebooting of systems. In addition, any breaking of seals were all documented in the presence of the inspectors. To this end, between January and June 2020 just over 5,000 inspections were carried out.

During the first three months of 2020, the Inspectorate unit focused its efforts on specific aspects of the gaming setting. The main aim of such inspections was to ensure that all gaming operators are

running their business in adherence with the relevant laws and regulations. Efforts were also made to establish continuous and genuine reporting on the financial aspect of the operations.

Further to the work undertaken in 2019, another reconciliation exercise of all electronic gaming devices in all gaming premises was carried out prior to the closure on 18 March 2020, which captured all the identifications of each machine. Furthermore, a detailed closure report for each casino was compiled, which included images of all sealing numbers and other pertinent information of the whole process. Such data was later compared to the in-house database and any variance was further investigated. The same exercise was repeated upon the opening of all casinos on 5 June 2020 and cross-checked with the data at hand.

Shortly after the closure of all gaming premises ensued, the Inspectorate team was assigned to undertake inspections on controlled gaming premises, in order to ensure that the licensees are adhering to the legal notice imposed by the Government. In addition, the team was entrusted with a helpline support for the general public to address any issues related to the gaming business and provide the necessary guidance.

During the period under review, the Inspectorate team worked closely with other directorates within the Authority. Collaboration was undertaken to update 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 the regulatory mechanisms applicable to gaming premises and controlled gaming premises. The scope of the Guidance Note is to establish more clearly 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 (Chapter 583 of the Laws of Malta) and the subsidiary legislation thereunder.

### 3.2 Legislative Updates

The Authority engages in continuous processes whereby it revises the current regulatory framework by means of amendments to the existing legal framework, as well as supplementing it with further binding instruments.

During the first six months of 2020, following key consultation and communication with relevant industry stakeholders, the MGA issued the Ruling on Low Risk Games in Care and Nursing Homes (Directive 2 of 2020) and the Directive on the Key Function of the Prevention of Money Laundering and the Financing of Terrorism (Directive 3 of 2020). Additionally, the Authority published Directive in



relation to the VAT Fiscal Receipts Lottery (Directive 1 of 2020). Amendments were also effected to the Sandbox Regulatory Framework and the Gaming Premises Directive (Directive 2 of 2019).

### 3.2.1 Memorandum of Understanding with the Malta Business Registry

In April 2020, an MoU was entered into between the MGA and the MBR. The objectives of such co-operation are the facilitating of ongoing close communication between the two authorities, the effective sharing of information on matters of mutual interest and policy areas, and the further strengthening of the mechanisms which allow both parties to detect and take measures promptly concerning any possible issues of non-compliance with the applicable legislation, including gaming legislation, as a means to preserve public order.

## 3.3 International Co-operation and Policy Initiatives

### 3.3.1 Developments at European and International Levels

The beginning of the year saw various EU fora discussing separate aspects of the upcoming Digital Services Act (DSA). The content of the DSA framework is expected to impact the gaming sector, particularly because the industry is becoming an increasingly digital one. As part of its horizon scanning exercise, the MGA's international office reviewed all the relevant drafts and instruments and took note of all aspects that could change the industry's direction. Besides initiatives arising out of the DSA proposal, there was also the European Commission's request to the *Comité Européen de Normalisation* to standardise reporting requirements in the supervision of online gambling, as well as elements of the ePrivacy Regulation, and other legislative and non-legislative proposals. The MGA also contributed to discussions around the regulation of Artificial Intelligence.

The same office also continued to regularly meet up with fellow European regulators as part of its routine collaborative initiatives. Travel restrictions that came about in light of the COVID-19 pandemic posed an undeniable challenge on all these fronts. The annual Gaming Regulators European Forum (GREF) conference, which is a staple on the MGA's calendar and is an excellent opportunity for European regulators to share best practices, and to discuss means to achieve common goals, was postponed to 2021. However, members of GREF continued to actively discuss topical issues, and to share best practices, through online means of communication. The MGA is a firm believer that maintaining open channels of communication with all stakeholders is conducive to effective regulation, and every effort was made to have such discussions virtually.

In addition, during the period under study, the Authority received 40 international co-operation requests and sent 25 requests. These covered various areas, including sports integrity, criminal activity

by players, adverse media reports, locally licensed operators, entities not holding a licence, as well as the Authority's authorisation process and the regulatory regime.

### 3.3.2 International Delegations

In February 2020, the MGA received a delegation of members of the Lotteries and Gaming Board and the Ministry of Home Affairs and Cultural Heritage of the Republic of Zimbabwe. The meeting was requested by the Zimbabwean authorities in order to receive insight on how the gambling industry is regulated in Malta, in view of imminent regulation within Zimbabwe. Following a tour of the MGA offices, and a discussion revolving around the Authority's directorates and staffing, the MGA delivered presentations and materials relating to the licensing and compliance processes, criminal probity assessments, utilisation of the risk-based approach, the design around the legal instruments, and anti-money laundering supervision. Discussions around these topics and exchange of best practices between both regulators ensued.

The MGA is constantly welcoming such opportunities to meet counterpart gambling regulators, as it is the ideal platform for knowledge sharing and co-operation.

### 3.3.3 Policy Initiatives Undertaken

The MGA recognised that the COVID-19 pandemic had the potential to have a particularly negative impact on players who found themselves to be socially isolated from their family, friends and colleagues. In March 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, especially considering the current situation. Any direct or indirect reference to the COVID-19 pandemic, or any related circumstance, would be considered to amount to a breach of this regulation. The Authority also urged licensees to pass on this information to any affiliates, and to be vigilant in ensuring that their brands are not being promoted in an unethical and socially irresponsible manner.

To this end, between January and June 2020, the Commercial Communication Committee of the MGA has taken action against 10 adverts or promotions that, in the opinion of the Committee, inappropriately exploited the pandemic situation.

### 3.3.4 Sports Integrity

It is one of the MGA's commitments to take a proactive approach in managing sports betting integrity with the aim of addressing the threats posed by match-fixing and malicious sports betting. To this end, the Authority works closely with its partners and other stakeholders in the betting industry, sport, and

law enforcement bodies in order to recognise vulnerabilities, encourage precautionary measures, and strengthen the deterrents to corruption in betting and sport in general, as well as to enable it to better identify the longer-term threats and implement policies that prevent those that pose the greatest risk.

Since the beginning of the year 2020, the Authority received 43 requests for information submitted by enforcement agencies, sport governing bodies, integrity units, and other regulatory bodies. Some of these requests referred to information held by the Authority on sporting events which were being investigated by the entity making the request, while other requests required the MGA to reach out to the industry in order to realise which operators beheld betting activity pertinent to a sporting event which is deemed of interest by the requestor. To this end, there were 35 instances wherein data had to be requested from a Maltese-licensed betting operator in order to be able to assist in investigations that are related to the manipulation of sports competitions.

Notwithstanding the fact that during the period under review the Authority had not yet brought into force the Suspicious Betting Reporting Requirements in line with Article 43 of the Gaming Authorisations and Compliance Directive (Directive 3 of 2018), it still received various reports of suspicious activity from its licensees or other concerned parties. Since January 2020, a total of 86 suspicious betting reports were received. In this respect, the Authority made sure that each report was also referred to the relevant sport governing body and assisted in any investigation which emanated from a reported suspicion, when required. Consequently, the MGA was directly participating in nine different investigations relating to the manipulation of sports competitions or breaches in sports rules.

As expected, the COVID-19 pandemic has had a disruptive impact on sports worldwide, and by correlation, the betting sector faced unprecedented challenges. Most sporting events came to a complete halt, and so had the betting markets. This naturally spurred interest in betting operators to look elsewhere, including betting on events with different risk profiles to those traditionally offered. Esports was one such betting market which saw a significant boost during these times. In order to safeguard the integrity of such events and warn betting operators of the risks involved, the MGA issued a number of practical recommendations to the industry and other stakeholders.

To implement the Suspicious Betting Reporting Requirements in line with Article 43 of the Gaming Authorisations and Compliance Directive (Directive 3 of 2018), which will oblige B2C licensees offering betting on sporting events to inform the Authority of any instance of suspicious betting, a Consultation Paper on Suspicious Betting Reporting Requirements & Other Sports Integrity Measures was published during the period under review. The aim was to reach out to interested parties and stakeholders, for

feedback on the proposed mechanisms for due consideration as well as having the Authority better placed to implement effective and efficient regulatory processes around suspicious betting in the sports betting sector. The consultation was also extended to B2B licensees to understand what their contribution towards sports integrity can look like in terms of detection and exchange of information with either B2C licensees, or the Authority itself.

Recognising the importance of establishing data-sharing agreements with relevant stakeholders, including sport governing bodies and other platforms whose function includes the detection of suspicious betting activities, during the period under review the MGA signed a total of four agreements, namely a data-sharing agreement with the International Cricket Council, the Swedish Football Association, the Darts Regulation Authority, and the World Professional Billiards & Snooker Association. Additionally, through a visit made to the UK Gambling Commission offices in Birmingham (UK), enhanced collaboration with their Sports Betting Intelligence Unit was established.

Notwithstanding the travel limitations faced during the year, the participation in various fora and events remained a priority for the MGA and where possible it continued to discuss matters relating to sports and betting integrity and shared insights into the work being done by the Authority in terms of its role in the fight against manipulations of sports competitions.

### **3.4 Developments within the Operational Support Functions**

#### **3.4.1 Human Resources**

The first two-quarters of 2020 were challenging for the Human Resources function of the MGA since the COVID-19 pandemic posed a situation where the Authority had to coordinate the switch to a full teleworking schedule. Together with the Facilities and Technology functions of the MGA, a smooth and seamless transition was rapidly affected.

The well-being of employees is a priority for the Authority, even more so during such times, especially within the overall strategic approach of promoting a people-oriented and high-performance culture. To this end, it was imperative to ensure that the MGA spirit continues to be fostered amongst employees despite the unprecedented and challenging times everyone was faced with. Consequently, a care strategy was devised to ensure that active contact is kept with all employees throughout the Authority. Catch-up calls were organised with all employees with the intention of keeping contact and giving employees the opportunity to raise any concerns or challenges they could be facing whilst working from home. In an effort to maintain a strong team spirit, the Authority also organised online games between employees from different departments.

Notwithstanding these challenging months, efforts continued to be made in terms of the right sizing exercise of the organisation such that new employees were selected and recruited with various teams within the Authority. Additionally, the Authority kickstarted the Competency Framework project that involved the identification of a set of Core and Job-specific competencies. Considered to be one of the main strategic objectives of the Human Resources function for the year 2020, this project was almost fully delivered while the Authority was working remotely. This project consisted of organising several workshops and focus groups with a number of employees, individual meetings with respective Chief Officers, as well as reviewing and updating the first drafts of the Competency Framework document.

### 3.4.2 Information Management

During the period under review, the Information Management team has conducted its bi-annual Industry Performance Return with all licensed companies. The information collected through this survey assists the MGA to effectively regulate and make informed policy for the gaming industry in Malta, in line with its mission statement. The data collected covers, among others, information on customer accounts, responsible gambling, financial results of the company, employment, skills gap, and outsourcing. These are used in various internal projects and serve as a main source of information for the MGA on any changes happening within the regulated gambling landscape.

Throughout the first six months of 2020, the Information Management team finalised and published the following reports:

#### *Annual Report for 2019*

The Information Management function worked on the MGA's 2019 Annual Report which was published towards the end of June 2020. It was the first report compiled remotely with all team members working from home. The report looked into the MGA's accomplishments in 2019 and forward-looking plans for 2020. In addition, the report also included a detailed summary of the performance of the Maltese gaming industry during 2019 and an outlook for the medium-term future.

#### *Employment Survey*

A yearly employment study which gathers information on the direct and indirect employment within the gaming industry in Malta was also conducted in the first quarter of 2020. The reported results, which were published in the Annual Report, provide more clarity with regards to the methodology of estimating the employment in the gaming industry in Malta, the categories of employment in the gaming industry, and the updated employment levels in the sector.

### *COVID-19 Business Impact Survey*

In light of the COVID-19 pandemic, the Information Management function carried out a survey with the licensed operators to assess the effect that the pandemic had on the gaming sector. 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.

### *Data Strategy for the MGA*

Furthermore, during the first half of 2020, the Information Management function also focused on the drafting of a Data Strategy tender as a part of the MGA's Strategic Vision for 2020-2022. Whilst recognising the substantial efforts and work done at the MGA in relation to Data & Analytics, the Authority decided to take it a step further and look into the assistance of external experts in formulating an organisation-wide Data Strategy for the upcoming years, with a view to enhance a data-driven culture.

### **3.4.3 Player Support**

Where player protection is concerned, the Authority continues to spearhead this important role by developing critical internal and external relationships to continue offering the highest levels of support. This certainly was a priority during the first half of 2020 since the COVID-19 pandemic has affected players differently. It was thus the Authority's duty to adequately protect players, particularly minors and vulnerable persons. To this end, during the period under review, a notable increase in player activity was recorded. In fact, during the first six months of 2020, a total of 2,431 requests for assistance was received, an increase of 38% over 2019. During the said period, the Authority managed to resolve 2,433 requests, covering some requests which were still pending at the end of 2019. This represents an increase of 26% over the requests resolved between January and June 2019.

With the adoption of the European Parliament and the Council's Directive 2013/11/EU on Alternative Dispute Resolution (ADR) for consumer disputes and having clear distinctions between 'disputes' and 'complaints', more and more disputes of a transactional nature are being diverted to these ADR providers. To this end, disputes are understood to be a transactional disagreement between a player and a B2C operator with which that player has registered a player account, whereas complaints are deemed to be a report by an individual, not necessarily a registered player, that any aspect of the provision of the gaming service by an MGA-licensed operator is unlawful, or conducted in a manner which is not safe, fair, or transparent.

From an operational perspective, between January and June 2020, the Player Support function has managed to successfully migrate the complaints management process to a dedicated ticketing system.

Additionally, in collaboration with the Technology Directorate, substantial work has been undertaken to finalise the monthly ADR report that B2Cs are obliged to present to the Authority and make it available on the MGA's Licensee Relationship Management System. This has been designed to be simple and intuitive to use while ensuring that all the salient information is captured where it will be duly assessed as necessary.

Additionally, the Player Support function continued to collaborate closely with the MGA's Inspectorate team in terms of offering administrative support with regards to the land-based unified self-barring system, where any necessary verifications, checks, and amendments are duly and effectively carried out. This ensures that vulnerable individuals who have chosen to exclude themselves from accessing brick-and-mortar gaming establishments in Malta are therefore unable to gain access to any local casinos, gaming parlours, and bingo halls for a definite or indefinite period of time.

#### 3.4.4 Programme Management

The Programme Management (PMD) function works hand in hand with the functional directorates of the Authority, with a view to successfully implement strategic projects and be the guardian of the change agenda of the organisation.

The main achievement of the PMD function throughout the first six months of 2020 is the wrapping up of the project which led to the documentation of the Authority's Strategic Plan covering 2020 till 2022. While the implementation of some of the projects documented in the said plan were launched in the first half of the year, simultaneously the PMD function continued to oversee the implementation of projects that were carried over from 2019.

Within this ambit, in the first half of 2020, the PMD function has collaborated extensively with the relevant directorates of the Authority to record value-adding developments in the following strategic projects:

- Human Resources function: Considerable momentum picked up in a project aimed at establishing and documenting a Human Resources Competency Framework. While most of the project was undertaken in the second quarter of 2020, it is foreseen that the project is concluded before the end of 2020. The establishment of this Competency Framework will see the MGA having a strong foundation to consolidate all its human resources operations, spanning from recruitment to performance management, as well as skills enhancement of the Authority's employees.
- Regulatory function: A project was launched with the aim of involving MGA personnel in compliance reviews across multiple regulatory themes for greater technical exposure.

Although background work was conducted, the project suffered a slowdown on anticipated timeframes in view of the restrictions related to COVID-19. It is foreseen that this project will be exhausted before the end of the year unless unforeseen circumstances keep hindering the progress of the project.

- **Policy function:** In the initial months of 2020, the Policy function embarked on two initiatives. One of these would materialise with the implementation of the suggested amendments to the Player Protection Directive and other legal instruments, while the other initiative refers to the development of an international affairs strategy for the MGA with its vision stretching to 2022.
- **Information Management function:** During the first half of 2020, the Information Management function commenced preparatory work so that a Data Strategy tender is issued in the third quarter of 2020. The said tender would see the MGA engage with a third-party service provider that will be entrusted to develop an implementable data strategy which would transform the MGA into an increasingly data-driven organisation. It is foreseen that the resulting strategy document will be completed in the early months of 2021.
- **Finance function:** With the intention to strengthen the second line of defence for the avoidance of tax leakages, on the turn of the year 2020, the Finance function undertook a project to enhance its internal tax compliance procedures. These revitalised procedures will be signed-off for due implementation in the third quarter of 2020.
- **Technology function:** The first six months of 2020 saw the continuation of the implementation of the legacy EARP project for the land-based sector with an increased focus on internal change management efforts. Also, a project that will see the Authority's Customer Relationship Management (CRM) system and online portal migrate from a local setting to a secure cloud location was launched in the early months of 2020 and is to be completed before the end of the current year.

### 3.4.5 Quality Management

The Quality Management Team (QMT) supports and pushes all functional elements of the Authority to produce quality outputs and questions them with a view to improve on their performance and efficiencies. In doing so, the domino effect would result in improved regulation and service to licensed operators. By ensuring that all documentation supporting the MGA's frequently-changing processes is regularly re-evaluated and kept up-to-date, the QMT contributes towards a common language among its employees, thereby minimising cross-departmental barriers and preventing fragmentation of its system of processes.



As part of the Quality Control (QC) initiatives, the QMT has continued to:

- educate and raise internal awareness on how to generate quality outputs through efforts governed by quality-at-source, with particular focus on efficient presentations;
- promote a culture of continuous improvement within the Authority especially on tasks involving collaboration across departments; and
- launch additional thematic templates to promote standardisation of Authority outputs.

During the period under review, the QMT received 107 internal QC requests, ranging from standardising functional templates, reviews of internal documents prior to their publication, testing of IT software platforms, and reviewing of other documents aimed at being published on the MGA website. An additional 11 QC reviews were carried out *ad hoc*.

The QMT continued to conduct internal training sessions with newly recruited employees to explain MGA's quality management system, and to:

- introduce the Authority's system of processes and guide employees on where to access the current versions of documents relating to various processes;
- introduce the system used to facilitate retrieval of the current versions of forms;
- discuss how the MGA strives to implement the Customer Focus principle, which is central in quality management, without compromising on its regulatory role and its duty to take prompt and strict action against licensees whenever required;
- educate and raise awareness on how to generate quality outputs through efforts governed by quality-at-source; and
- promote a culture of continuous improvement within the Authority.

In the first six months of 2020, the QMT also provided suggestions for improvement to more than 50 documented processes of the Authority.

#### 3.4.6 Risk Management

The COVID-19 pandemic has brought about a new and unpredictable business environment, which from a risk management perspective, has shifted the attention onto crisis management and safeguarding business continuity. In this regard, the main challenge for the Authority was to manage the threats posed by the pandemic in a way that would ensure the safety of its employees without compromising the high standards in performing its operations.

Within this context, it was essential for the Risk Management Directorate to conduct an Enterprise-wide Risk Assessment (ERA) on risks arising from the COVID-19 pandemic, with a view of identifying the relevant risks, predicting their impact to the operations of the Authority in the foreseeable future, and suggesting potential measures to mitigate the threats posed, as well as identifying opportunities for further business development. The main benefit reaped from such an ERA was that of providing the Authority with a strong foundation for a successful risk management process and culture in these unprecedented conditions.

Furthermore, a centralised risk management plan considering the various scenarios arising from the COVID-19 pandemic led to the development of standard policies, risk rating methodologies, and risk frameworks that could be leveraged throughout the rest of the organisation. This provided the senior management of the Authority with a clearer view of the interrelationships among existing risks and facilitated proactive thinking about potential future risks.

Apart from the focus on the risks posed by the COVID-19 pandemic, a risk matrix in relation to tax compliance monitoring activities by the Finance function of the Authority was developed. This entailed a number of consultation meetings with the relevant stakeholders with the aim of embarking on a risk-based enhanced tax compliance exercise in order to ascertain adherence with relevant regulatory obligations, whereby the process was reviewed and the risk rating methodology was discussed and designed.

Additionally, the necessary input from a risk management perspective was provided in relation to the Implementing Procedures Part II, applicable to land-based casinos. This included an assessment of the relevance of the risk elements considered, with a scope to encapsulate the various risk factors, provide insight as to the level of risk exposure each risk poses, and propose potential mitigating measures.

#### 3.4.7 Technology

The COVID-19 pandemic brought with it many challenges, and from a technological aspect, the preparedness and response of the Authority were put to test. When a change in how the Authority operates was necessitated, the Authority, through several investments made over the years, was in an enviable position to adapt the way it operates for a seamless transition. With the infrastructure and necessary technologies in place, the Authority was at the forefront to confidently pursue remote working initiatives, enabling its employees to carry on with their work in a secure business environment.

Throughout the first six months of 2020, the Technology Directorate oversaw the completion of the following projects:

- Additional enhancements to the Security and Infrastructure system of the Authority including:
  - ◆ setting up a Web Application Firewall on all front-facing applications. Through its inclusion, the protection from potential Distributed Denial of Service Attacks has been greatly reinforced;
  - ◆ encrypting all communications occurring through the internal network with AES 256-bit, therefore preventing any potential Man-In-The-Middle Attacks;
  - ◆ installing a secure agent software which protects from any loss of data or breaches on the Authority's employees' laptops; and
  - ◆ introducing a Cyber Security Awareness program as a tool to raise internal knowledge on any potential cybersecurity attacks;
- The development and deployment of an internal API integration tool following the signing of the MoU between the Authority and the MBR. This enables the Authority's officials to cross-check company information held in the MGA's internal systems against that held in the MBR's records;
- The Authority's upgrade from its current on-premises CRM Dynamics 16 to the latest version of the Microsoft's Dynamics 365 and Microsoft Portals platforms. During these initial phases of the project, much of the setting up, configuration and rewriting of the new instance has been completed and is currently in the testing phases aiming to be complete by the end of 2020; and
- The successful implementation of the EARP XML Data Sets as indicated in Directive 4 of 2019 and the necessary testing of the EARP platform and the second phase of the EARP project which saw the implementation of Internet of Things devices within all Controlled Gaming Premises establishments.

#### 3.4.8 Corporate Affairs

Being the promotional arm and corporate affairs management of the Authority, this function ensures that the objectives set out by the Authority are duly and effectively reached. From a promotional perspective, the first six months of 2020 were quite challenging for the Authority since most events have been cancelled due to the COVID-19 pandemic. Where possible, the necessary arrangements were made for conferences and events to be held online. In this respect, the Corporate Affairs function of the Authority coordinated the participation of its employees in these webinars, while it continued to be the bridging point with the gaming industry through various communication channels.

Just before the COVID-19 pandemic started and the travel restrictions were put in place, the MGA participated in one of the major annual events, ICE Totally Gaming Exhibition, which took place in London, UK, in February 2020.

### 3.5 The Second Half of 2020

The primary priority for the months July to December 2020 continues to be the smooth running of the overall operations of the Authority in light of the challenges posed by the COVID-19 pandemic, coupled with the well-being of all the employees.

The MGA strives to continue enhancing its processes and best practices adopted in the first half of the year when it adapted to work entirely remotely. To this end, the Authority aims to continue providing an attractive, stable, and reputable regulatory environment in which the Maltese gaming sector could continue growing, whilst remaining sufficiently flexible to be attractive to start-ups and innovators. In terms of Criminal Probity Screening procedures, the Authority plans to revise its current processes to lay the necessary foundations for successful intelligence screening, and at the same time, to further strengthen, where possible, the current procedures.

Additionally, the last few months of 2020 shall see the formulation of the Authority-wide Data Strategy as per the MGA's Strategic Vision for 2020-2022. As a part of this initiative, the Authority will be assessing its current data state and organisational data needs, structures as well as policies, on which it will then come up with a detailed roadmap coupled with data-related training plans and change management strategy, for eventual implementation in the future. This will continue to support the Authority in making informed decisions by providing relevant research and data.

During the last quarter of 2020, the Authority is envisaged to launch the EARP for the land-based channel. The aim is for the MGA to receive daily standardised data from licensed operators and controlled gaming premises, thereby allowing the MGA direct and immediate access to gambling data, as well as the receipt of real-time alerts to the MGA's Inspectorate for immediate and timely action.

Having compliance as one of the core pillars of the regulatory function of the Authority, continuous investment in this area is envisaged. To this end, additional resources shall be allocated towards onsite audits related specifically to the player and jackpot funds held by operators as well as the accounts held with credit/financial/payment institutions to cover such liabilities. The ultimate objective is to better safeguard player interests and funds in line with the MGA's strategic intents. Additionally, the Authority shall initiate the conduct of Responsible Gambling Audits and other *ad hoc* checks as well as reviewing policies and procedures relating to responsible gambling.

With regards to the area of player protection and in order to ensure that the legislative framework is robust enough to achieve the MGA's ultimate mission of ensuring that the regulatory framework is equipped to provide adequate protection to players, the MGA will be working on a revision of the Player Protection Directive, factoring in its effectiveness in the midst of such global happenings. The revised directive will also reflect the specialised responsible gaming audits. Also, consequently to the pandemic, the MGA will analyse whether the current commercial communication framework is equipped to achieve the objectives of consumer protection.

In terms of AML, by the end of 2020, the Authority shall start reviewing documentation pertaining to AML at licence onboarding stage. To this end, a review of the Business Risk Assessment, AML/CFT policies and procedures, and other AML-related documents will be undertaken, enabling the Authority to assess the B2C applicant's plans to comply with the AML requirements. This will ensure a proactive rather than a reactive approach to AML/CFT-related issues by new licensees.

Conscious of the need to remain at the forefront in the fight against the manipulation of sports competitions, the Authority intends to bring into force the Suspicious Betting Reporting Requirements, as noted in Article 43 of the Gaming Authorisations and Compliance Directive (Directive 3 of 2018). Furthermore, it shall be publishing a feedback document following the consultation it has undertaken on suspicious betting reporting requirements and other sports integrity measures. This feedback will help shape best practices in terms of bringing into force the Suspicious Betting Reporting Requirements, especially in relation to the reporting mechanism which will facilitate the reporting of suspicious betting between operators and the regulator.

## 4 The Maltese Gaming Statistics for the First Half of 2020

### 4.1 Preface

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

### 4.2 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; and
  - financial information provided by operators to the MGA.
2. Unless otherwise stated, figures are representative of the position as at the end of June 2020.
3. The data presented in this report are based on the IPRs, which was 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 96%. The remaining data has been estimated by the Authority in order to provide a clear picture of the Maltese gaming industry.

One of the main aims of this research is to acquire an accurate snapshot of the activity being generated by all the companies that are licensed by the MGA. Hence, several imputation methodologies and weighting techniques were adopted to 'fill-in' any missing information. In order to ensure better data representation, companies were divided into two groups, namely companies operating with a B2C - Gaming Service Licence and those that operate with a B2B - Critical Gaming Supply Licence.

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. 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 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; and
  - 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 Gaming Revenue

(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. The 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–June 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 the years 2017 and 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 2017–June 2020; and
  - for online gaming, the compliance contribution for the years 2018–June 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). For 2017, the gaming tax and licence fees were reported in line with the Remote Gaming Regulations (S.L. 438.04).
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. 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.

### 4.3 Overview of the Maltese Gaming Industry

The COVID-19 pandemic was an unforeseen shock that disrupted every industry to an extent unprecedented in its scale and scope and which has led to travel and movement restrictions, limited business activity, and the complete suspension of almost all major events. The gaming sector was not immune to these changes.

In its efforts to contain the COVID-19 outbreak, the Maltese Government announced, through Legal Notice 76 of 2020 entitled “Closure of Places Open to the Public Order, 2020”, the closure of all land-based gaming premises, including bingo halls, casinos, gaming parlours, and lotto booths, as from 18 March 2020. The entire land-based industry was at a standstill for the very first time. The Government lifted the first measures related to gambling at the beginning of May by allowing lotto booths to reopen. The gaming parlours were reopened from the end of May whilst casinos and commercial bingo halls returned to operation as from the beginning of June. Any rebound in land-based gaming could be significantly constrained by possible future lockdowns, Government restrictions for vulnerable people (including customers aged 65 and older), social distancing conditions limiting capacity at the tables and slots, and by cross-border travel restrictions that have an impact on the number of foreigners visiting casinos and other gambling outlets.

From the online gaming perspective, the first half of 2020 was also challenging as the uncertainty around the impact of COVID-19 had a substantial effect on the planned investments, overall management, and performance of companies. The cancellation of national leagues and major sporting events around the world forced many operators to rethink their business models. During the first six months of 2020, there has been a shift in the type of online games, resulting in a higher GR generated from Type 1, Type 3 and Type 4 games which gained popularity due to limited or no activity on the sportsbook classified under Type 2.

During the reporting period, 65.2% of the total GR was generated through gaming classified under the Type 1 group. The GR generated from gaming falling under Type 2 and Type 3 accounted for 27.5% and 7.3% respectively.

As indicated in Table 1, the total Gross Value Added (GVA) generated by the gaming industry during the first half of 2020 stood at €449 million, hence representing around 8.25% of the economy's GVA. When the indirect effects are included, the contribution of the industry to the economy value added increases to 10.6%. It is to be duly noted that the extent of comparisons with figures reported in previous Interim Reports is affected by the benchmark revision in National Accounts data for the reference period 1995Q1 to 2020Q2, carried out by the National Statistics Office (NSO) in August 2020. Amongst other enhancements, the benchmark revision included the integration of the results of the Household Budgetary Survey conducted in 2015 in the compilation of household final consumption expenditure and in specific NACE<sup>1</sup> sections, including NACE R which represents the Arts, Entertainment and Recreation sector. Based on data obtained from the demand side, the GVA of NACE R has decreased when compared to previously reported GVA estimates. Against this background, historical data for the GVA of the industry, as presented in Table 1, has been revised accordingly. Based on these estimates, the growth in value added of the gaming industry during the first half of 2020 is estimated at 12.4%.

It has been estimated that as at the end of June 2020, 8,009 persons were working with MGA-licensed companies on the activities covered by the Authority's licence, with 90% of these employees engaged in the online sector. Furthermore, it has been estimated that additional 1,557 FTEs 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. Despite the challenges experienced during 2020, the sustained growth in employment further attests to the sector's significant contribution to the Maltese economy.

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<sup>1</sup> NACE is the statistical classification of economic activities in the European Community.

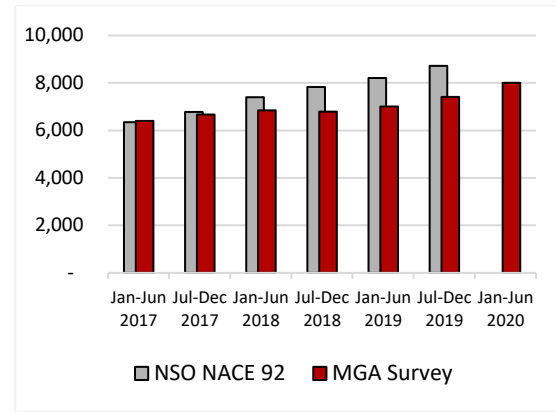
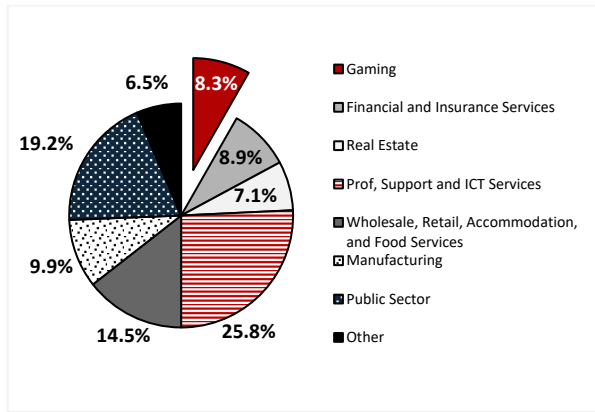


CHART 1: CONTRIBUTION OF THE GAMING INDUSTRY TO VALUE ADDED

CHART 2: GAMING INDUSTRY EMPLOYMENT (FTE)

NSO NACE 92 data refer to period mid-point. MGA survey data refer to the end-of-period point<sup>2</sup>. Enterprise coverage varies slightly between the two sources.

As at the end of the first half of 2020, the number of companies licensed by the MGA, including both online and land-based entities, stood at 313. By the end of June, gaming companies held a total of 318 gaming licences and 335 approvals to offer various types of games under the B2C licence.

During the first six months of 2020, the MGA collected €33.7 million in terms of compliance contribution fees, levies, and consumption tax.

	2017		2018		2019		2020
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Number of licences	568	635	672	286	287	298	318
Number of companies in operation	284	296	301	283	283	294	313
Gross Value Added (€m)	480.5	481.1	394.1	397.8	393.8	399.4	448.8
Employment - full-time equivalent (FTE) jobs	6,407	6,673	6,849	6,794	7,011	7,417	8,009
Online	5,542	5,861	6,021	5,950	6,142	6,593	7,196
Land-Based	865	812	828	844	869	824	813
Compliance contribution, licence fees, levies and consumption tax (€m)	31.9	33.4	31.3	42.6	39.9	40.5	33.7

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

TABLE 1: HEADLINE INDICATORS OF GAMING INDUSTRY ACTIVITY

<sup>2</sup> The latest available data for Registered Employment published by the NSO is for January 2020. For this reason, no NSO data is presented for the period Jan-Jun 2020 in Chart 2.

From a more detailed market behaviour perspective, as a result of the COVID-19 pandemic and the temporary shutdown of the land-based sector, total players’ visits to gambling outlets declined by 48%, as shown in Chart 3. During the period January to June 2020, the land-based casinos and commercial bingo sector registered a decline in visits of 54.6% and 54.1% respectively whilst the gaming parlour sector reported a decrease of 39.3% when compared with the corresponding period of 2019.

Despite the decrease in the number of players’ visits to land-based sector, the GR per visit has increased by 8.1%. The most notable growth of 10.9% was reported for casinos, as shown in Chart 4. The gaming parlour and commercial bingo sector reported an increase of 2.1% and 3.8% in the GR per visit, respectively.

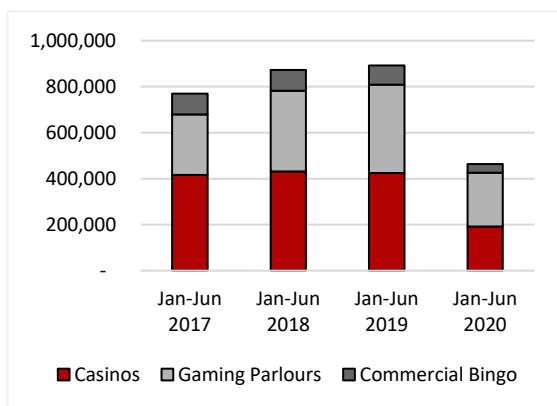


CHART 3: LAND-BASED - VISITS TO OUTLETS

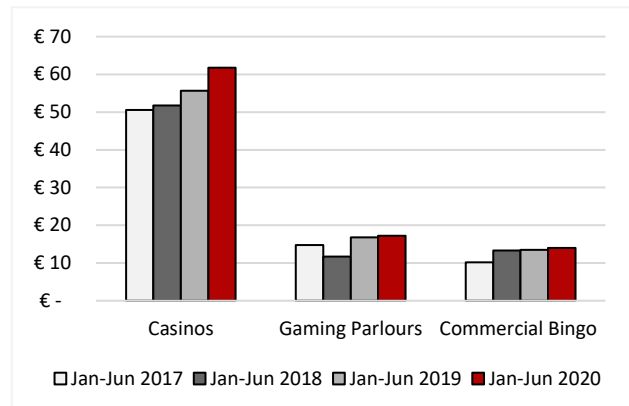


CHART 4: LAND-BASED - GR PER VISIT

#### 4.4 Gaming Industry Outlook

Over the past years, the gaming industry has steadily strengthened its standing in the Maltese economy and has shown a remarkable degree of resilience to exogenous shocks. It has however been affected by the unprecedented effects of the COVID-19 pandemic. In order to capture the notable shifts taking place in the industry as a result of the pandemic, the MGA carried out a survey with the different sectors in the online gaming industry in April 2020, namely the B2C sector, the B2B sector, and the sector consisting of conglomerate B2C and B2B operators.

In view of the current realities, the Maltese Government is committed to continue reducing the financial burden on operators in the industry, while ensuring that Malta remains an attractive place of primary establishment. Towards this end, the MGA strives to continue evolving and responding to market needs to ensure that Malta retains a regulatory legal framework that is of the highest standard in the global gaming industry and one which is capable of catering for newly emerging risks. These

efforts, as well as other initiatives by the Maltese Government aimed at sustaining employment and ensuring the cost-effective operation of gaming activities from Malta, provide fertile ground for the gaming ecosystem in Malta to continue thriving.

The challenges posed by the COVID-19 pandemic as well as the uncertainties associated with Brexit and the evolving international regulatory requirements complicate the formulation of projections for the next 12 months. However, on balance, it appears that the outlook for the gaming sector in Malta is one which promises continued growth. This within the context of a notable demand expansion for certain types of gaming activities at the global level, such as mobile gaming and technological developments. In order to ensure that the highest benefits are reaped from these global trends in the gaming industry, it will be essential for the industry to continue to operate in a stable environment within a cost-competitive jurisdiction.

## 5 Detailed Interim Statistical Report on the Performance of the Maltese Gaming Industry between January and June 2020

### 5.1 Gaming Premises – Casinos

In an effort to contain the spread of COVID-19, all land-based casinos in Malta were ordered to temporarily close their venues from 18 March 2020. 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 casinos' employees. During the first six months of 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.

#### 5.1.1 Gaming Premises - Casinos: Game Types

The new licensing regime categorises all games that can be offered by the licensees into four different game types<sup>3</sup>. An operator can offer one or multiple game types. As at the end of June 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.

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

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

#### 5.1.2 Gaming Premises - Casinos: Number of Gaming Devices

As at the end of June 2020, the total number of gaming devices in the casinos stood at 956, including 939 slot-type gaming machines and 17 sports betting machines, as shown in Table 3 below.

	2017		2018		2019		2020
	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun
Slot-type gaming devices	915	900	916	909	916	937	939
Sports betting machines	18	27	19	17	18	17	17
Total	933	927	935	926	934	954	956

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

<sup>3</sup> For more information on the game types, please refer to Point 5 of the Methodology.

### 5.1.3 Gaming Premises - Casinos: New Players' Registrations

Casino operators are required to register every new-to-the-casino player who enters their premises. During the period January to June 2020, operators reported a total of 26,176 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 2.5-month closure of all casinos in Malta.

	2017		2018		2019		2020
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total	56,563	84,262	61,241	86,433	72,807	102,636	26,176

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

### 5.1.4 Gaming Premises - Casinos: Players' Visits

During the first six months of 2020, the total number of visits to local casinos stood at 192,351, a 54.6% decrease when compared with the corresponding period of 2019.

	2017		2018		2019		2020
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total	415,994	494,208	430,859	503,753	424,022	516,744	192,351

TABLE 5: GAMING PREMISES - CASINOS - PLAYERS' VISITS

Due to the closure of all gambling venues and various restrictions imposed by the Government, the number of visits registered in the casino sector, once the restrictions were lifted, was much lower than in the previous years. Chart 5 below presents the number of visits by month registered in the casino sector during the period 2017 – June 2020.

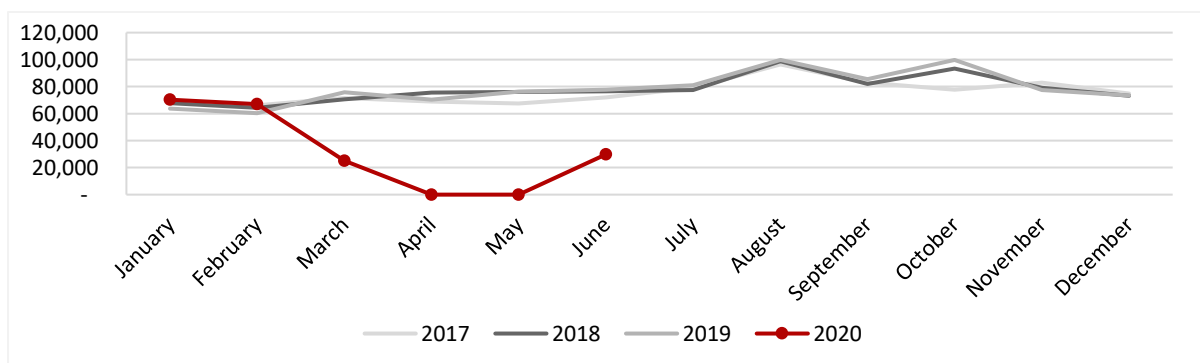


CHART 5: GAMING PREMISES - CASINOS - PLAYERS' VISITS

### 5.1.4.1 Junket players

During the period under review, local casinos hosted 261 junket players<sup>4</sup>. 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 64.7% decrease when compared with the corresponding period in 2019. Of all junket players hosted by casinos during the period under review, 29.5% referred to in-house junkets whilst the remaining players were brought to the casinos by junket leaders.

	2017		2018		2019		2020
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
In-house	395	679	241	570	300	267	77
With junket leader	393	608	613	887	440	483	184
Total	788	1,287	854	1,457	740	750	261

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

### 5.1.5 Gaming Premises - Casinos: Players' Profile

#### 5.1.5.1 Nationality

Due to COVID-19 restrictions and travel bans, less foreign players visited Malta and as a result, Maltese casinos. Visits by non-Maltese decreased by 59.1% when compared with January to June 2019 and accounted for 47.8% of the total visits recorded during the first six months of 2020.

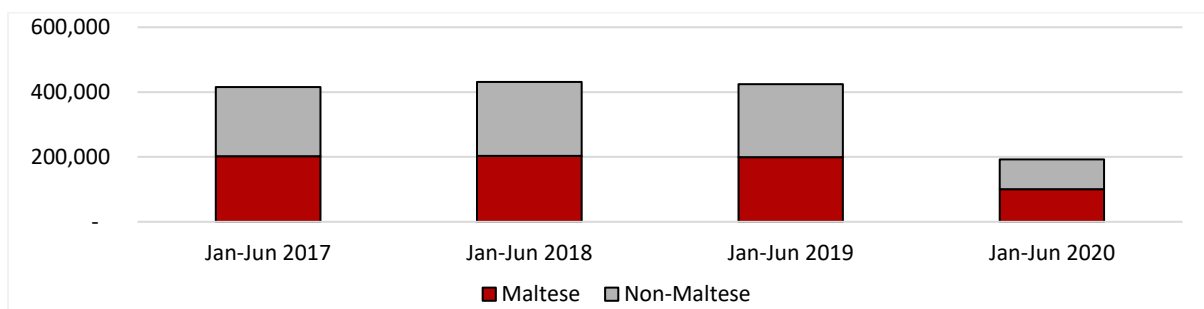


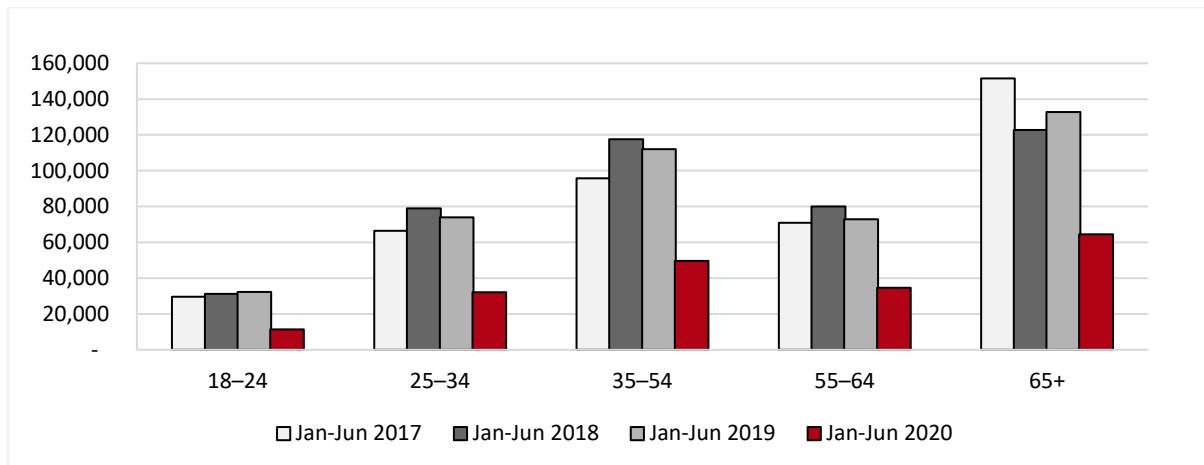
CHART 6: GAMING PREMISES - CASINOS - PLAYERS' PROFILE BY NATIONALITY

<sup>4</sup> 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.



5.1.5.2 Demographic Group

During the first half of 2020, visits by players of all age groups declined 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 around one-third of the total visits. Visitors from the 35–54 age bracket constituted 25.9% 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 18%, 16.7%, and 5.9% of the total visits.



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

CHART 7: GAMING PREMISES - CASINOS - PLAYERS' PROFILE BY AGE GROUP DISTRIBUTION

It is worth noting that visits by female players accounted for 38.8% of all visits. This ratio has decreased by nearly seven percentage points when compared with the first six months of 2019.

5.1.6 Gaming Premises - Casinos: GR

Due to the nearly 2.5-month closure of the casinos, GR generated by the sector declined by 49.7% during the period January to June 2020 when compared with the corresponding period of 2019. Almost the entire GR was generated from Type 1 games, constituting 97.7% of the GR generated by the casinos, followed by the GR generated from Type 3 (1.3%) and Type 2 (1%) games as shown in Chart 8.

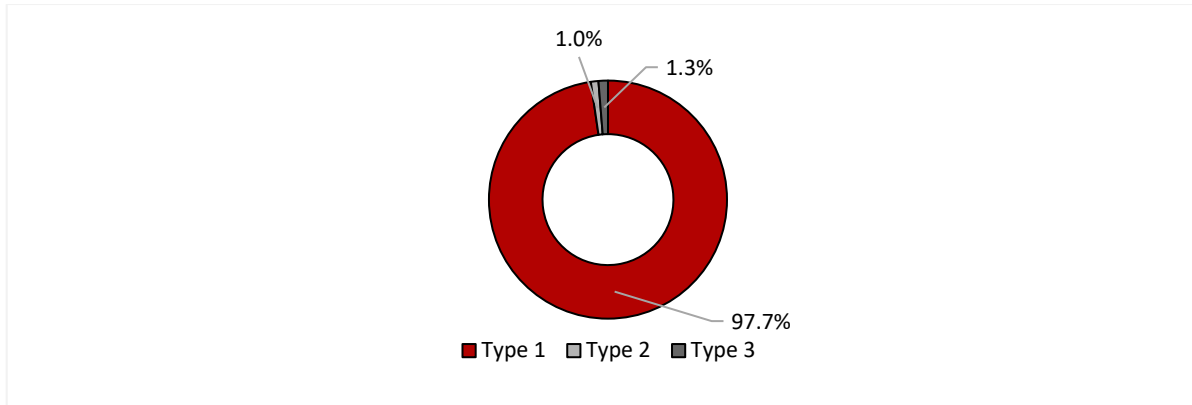


CHART 8: GAMING PREMISES - CASINOS - GR DISTRIBUTION BY GAME TYPE

The GR from the limited junkets activity stood at 11.8% of the total GR reported in the first half of 2020. The GR generated from junket activity declined by 37.9% during this period, in line with the overall decrease in the casinos’ GR.

5.1.6.1 Average GR per Visit

The average GR per visit rose from €55.7 to €61.8 from the first half of 2019 to the comparable period of 2020, as shown in Table 7 below.

	2017		2018		2019		2020
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	50.5	49.1	51.7	49.9	55.7	54.5	61.8

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

5.1.7 Gaming Premises - Casinos: Compliance Contribution

During the first six months of 2020, the MGA collected a total of €3.9 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.

	2017		2018		2019		2020
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	7,962,777	9,356,371	8,249,559	9,331,992	7,980,082	9,422,963	3,917,765

Note: The figures for the period 2019 and January-June 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 the years 2017–2018, gaming tax and licence fees were reported in line with the Schedule of the Gaming Act (1998).

TABLE 8: GAMING PREMISES - CASINOS - COMPLIANCE CONTRIBUTION

### 5.1.8 Gaming Premises - Casinos: Employment

As at the end of this reporting period, the total number of FTE direct employees working in casinos stood at 560, a decrease of 3.7% when compared to the end of 2019.

	2017		2018		2019		2020
	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun
Total	632	584	597	611	629	582	560

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

The proportion of male employees increased by nearly two percentage points from the levels reported as at the end of 2019, to reach 60% as at the end of June 2020. Furthermore, the share of non-Maltese employees declined by just above four percentage points to 60% from 64.4% as reported at the end of 2019.

## 5.2 Controlled Gaming Premises

In March 2020, all controlled gaming premises have been closed 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. As from 22 May 2020, the restrictions have been lifted 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.

### 5.2.1 Controlled Gaming Premises: Number of Outlets

By the end of June 2020, the number of approved controlled gaming premises<sup>5</sup> in Malta totalled 60. They are spread across 32 localities in Malta and Gozo. The highest number of outlets are located in the Southern Harbour and Northern Harbour Districts (as defined in Annex 1), which have 23 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 of 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. Table 10 presents the number of controlled gaming premises per operator.

<sup>5</sup> 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.

	2017		2018		2019		2020
	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun
Gaming Operations Ltd	28	29	29	30	30	32	34
Bestplay Gaming Ltd	6	7	7	7	7	7	7
Media Games Malta (EU) Ltd	5	5	5	5	5	5	5
Fairbet Ltd	7	7	6	5	5	5	6
Bingo Ltd	3	4	4	4	4	4	4
SmartBet Operations Ltd	-	-	1	1	1	1	1
Meridian Gaming Ltd	-	-	-	-	2	2	3
<b>Total</b>	<b>49</b>	<b>52</b>	<b>52</b>	<b>52</b>	<b>54</b>	<b>56</b>	<b>60</b>

TABLE 10: CONTROLLED GAMING PREMISES - NUMBER OF OUTLETS

### 5.2.2 Controlled Gaming Premises: Game Types

As at the end of June 2020, all controlled gaming premises licensees were in possession of an approval to offer Type 1<sup>6</sup> 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
<b>Total</b>	<b>7</b>	<b>6</b>	<b>2</b>	<b>0</b>

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

### 5.2.3 Controlled Gaming Premises: Number of Gaming Devices

The number of licensed gaming devices has increased to 515 as at the end of June 2020. This brought the average number of gaming devices per outlet to 8.5, which is in line with the regulations limiting the number of devices per outlet to no more than 10. Table 12 presents the number of licensed gaming devices per operator.

<sup>6</sup> For more information on the game types, please refer to Point 5 of the Methodology.

	2017		2018		2019		2020
	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun
Gaming Operations Ltd	218	223	237	246	262	280	296
Bestplay Gaming Ltd	49	59	59	59	59	59	59
Media Games Malta (EU) Ltd	40	38	42	40	48	48	48
Fairbet Ltd	51	41	39	37	40	40	50
Bingo Ltd	30	40	36	30	16	26	36
SmartBet Operations Ltd	-	-	4	4	6	4	6
Meridian Gaming Ltd	-	-	-	-	8	17	20
<b>Total</b>	<b>388</b>	<b>401</b>	<b>417</b>	<b>416</b>	<b>439</b>	<b>474</b>	<b>515</b>

TABLE 12: CONTROLLED GAMING PREMISES - NUMBER OF GAMING DEVICES

#### 5.2.4 Controlled Gaming Premises: Players' Visits

During the first six months of 2020, the number of visits to controlled gaming premises decreased by 39.3% when compared with the same period of 2019, to stand at 233,594. The considerable drop in the number of visits resulted from the restrictions imposed due to COVID-19 and the temporary closure of the gambling premises.

	2017		2018		2019		2020
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
<b>Total</b>	<b>263,864</b>	<b>300,226</b>	<b>350,629</b>	<b>386,033</b>	<b>384,941</b>	<b>414,479</b>	<b>233,594</b>

TABLE 13: CONTROLLED GAMING PREMISES - NUMBER OF VISITS

Chart 9 presents the number of visits by month registered in the gaming parlours sector during the period 2017 – June 2020.

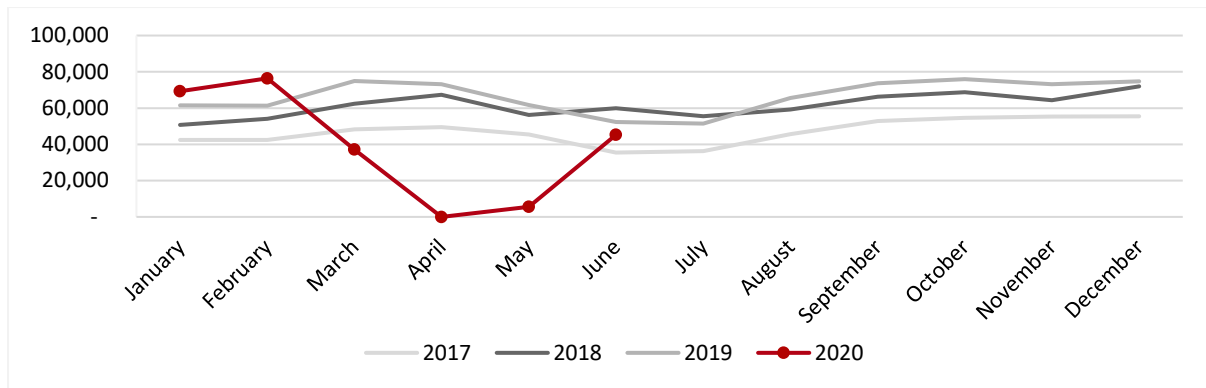


CHART 9: CONTROLLED GAMING PREMISES - NUMBER OF VISITS

5.2.4.1 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 the first half of 2020, the highest number of players’ visits took place in the Northern Harbour and Southern Harbour districts, accounting for 31.3% and 29.3% of all visits respectively. These two districts are also characterised by the highest number of outlets, 19 and 23 respectively, which explains the levels of visits. The remaining visits were distributed between the following districts: Northern (17.5%), South Eastern (13.3%), Gozo and Comino (4.8%), and Western (3.8%).

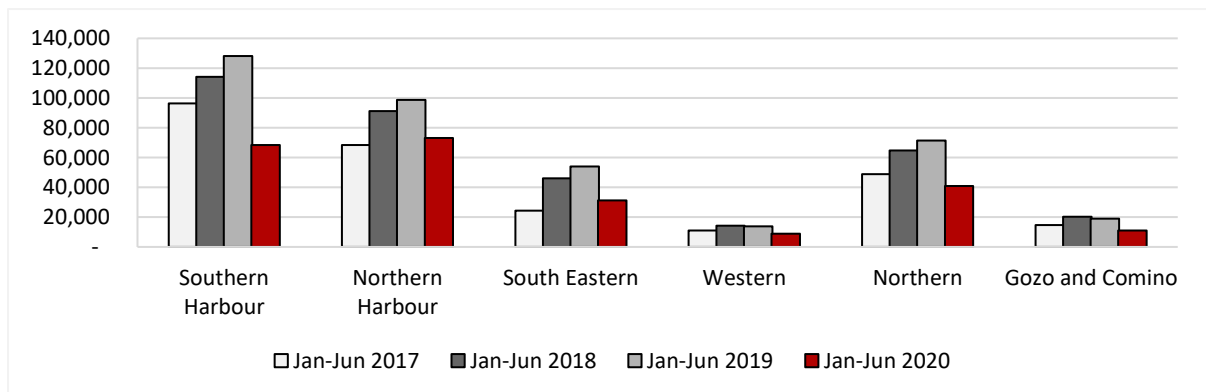


CHART 10: CONTROLLED GAMING PREMISES - NUMBER OF VISITS BY DISTRICT

5.2.5 Controlled Gaming Premises: New Players’ Registrations

During the period January to June 2020, there were a total of 2,384 new registrations at the 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, as shown in Table 14.

	2017		2018		2019		2020
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total	5,165	6,980	5,737	6,824	4,675	4,129	2,384

TABLE 14: CONTROLLED GAMING PREMISES - NEW PLAYERS' REGISTRATIONS

## 5.2.6 Controlled Gaming Premises: Players' Profile

### 5.2.6.1 Nationality

The share of visits to gaming parlours by Maltese players stood at 52.8% during the first half of 2020. The considerably lower ratio of visits by Maltese players, which was also noted for the first half of 2019, reflects the changing demographic composition of the resident population in Malta.

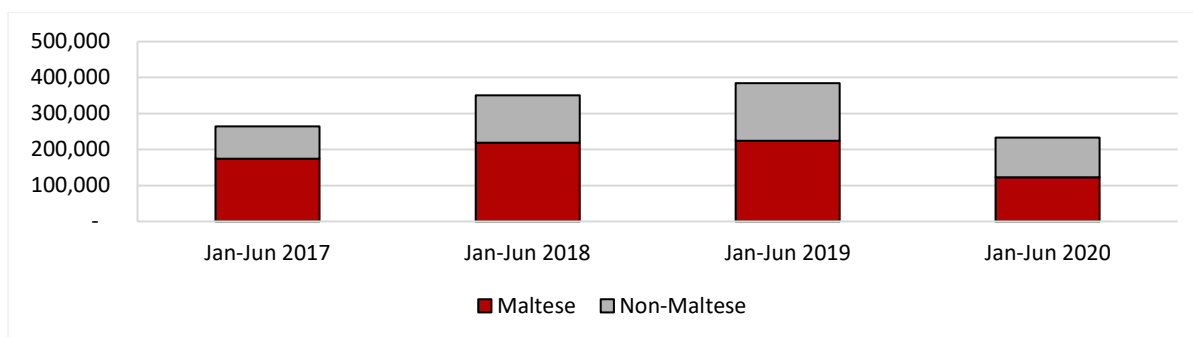


CHART 11: CONTROLLED GAMING PREMISES - PLAYERS' PROFILE BY NATIONALITY

### 5.2.6.2 Demographic Group

During the first half of 2020, visits by players of all age groups declined in line with the overall decrease in the number of visits to the gaming parlours. Visits by players from the 25–34 and 35–54 age brackets continue to constitute the largest demographic category of visitors to gaming premises, accounting for 33% and 33.5% of all visits respectively. Visits by players from the 18–24, 55–64, and 65+ age brackets accounted for 12.3%, 11.4%, and 9.8% of the total visits registered between January and June 2020.

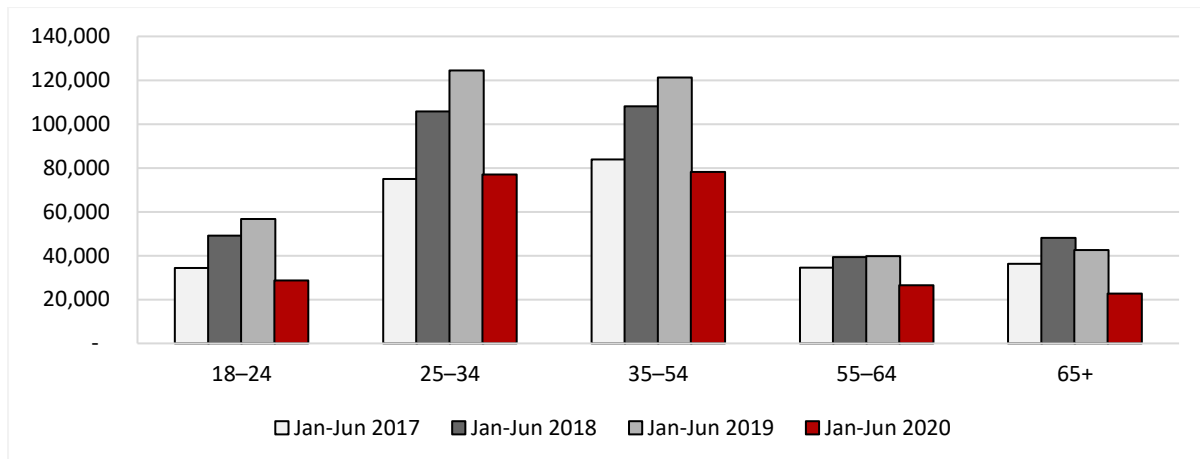


CHART 12: CONTROLLED GAMING PREMISES - PLAYERS' PROFILE BY AGE GROUP DISTRIBUTION

In particular, controlled gaming premises are mostly popular with males, whose visits accounted for more than 90% of the total visits registered during the first six months of 2020.

### 5.2.7 Controlled Gaming Premises: GR

During the first six months of 2020, GR generated by the sector declined by 38.1% due to the nearly 2.5-month closure of all outlets. Out of the total GR generated during the reporting period, 51.8% of the GR was generated from Type 1 games, followed by Type 2 (46.3%) and Type 3 (1.9%) games.

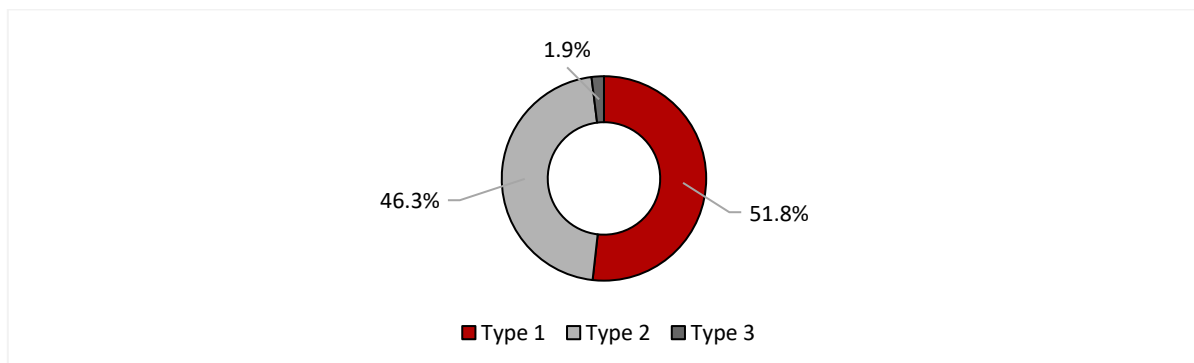


CHART 13: CONTROLLED GAMING PREMISES - GR DISTRIBUTION BY GAME TYPE

#### 5.2.7.1 Average GR per Visit

During the year period review, the average GR per visit to controlled gaming premises stood at €17.2.

	2017		2018		2019		2020
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	14.8	14.5	11.7	10.1	16.8	16.3	17.2

TABLE 15: CONTROLLED GAMING PREMISES - AVERAGE GR PER VISIT



### 5.2.8 Controlled Gaming Premises: Compliance Contribution

During the first six months of 2020, the MGA collected a total of €942,491 (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.

	2017		2018		2019		2020
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	1,350,630	1,368,236	1,437,679	1,389,055	1,624,494	1,604,083	942,491

*Note: The figures for year 2019 and period January-June 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 the years 2017–2018, the gaming tax and licence fees were reported in line with the Third Schedule of the Gaming Devices Regulations (2011).*

TABLE 16: CONTROLLED GAMING PREMISES - COMPLIANCE CONTRIBUTION

### 5.2.9 Controlled Gaming Premises: Employment

The number of FTE direct employees working in controlled gaming premises grew by 6.9% between December 2019 and June 2020. This increase is mainly due to the opening of new outlets by operators in the gaming parlour sector.

	2017		2018		2019		2020
	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun
Total	123	117	123	125	143	144	154

TABLE 17: CONTROLLED GAMING PREMISES - EMPLOYMENT (FTE)

As at June 2020, 68.3% 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 December 2019, with 83.5% of the employees being Maltese.

## 5.3 Gaming Premises - Commercial Bingo

Due to the COVID-19 pandemic, all commercial bingo halls have been closed from 18 March 2020 as per Government's Legal Notice 76 of 2020. On 5 June 2020, restrictions have been lifted (Legal Notice 232 of 2020), allowing operators to reopen gambling premises.

### 5.3.1 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.

### 5.3.2 Gaming Premises - Commercial Bingo: Game Types

As at the end of June 2020, all commercial bingo licensees were in possession of an approval to offer Type 3 games<sup>7</sup>.

### 5.3.3 Gaming Premises - Commercial Bingo: New Players' Registrations

During the first six months of 2020, the commercial bingo sector reported 378 new registrations, a significant drop from the 1,582 new registrations during the same period in 2019, as a result of the 2.5-month-long closure of outlets.

	2018		2019		2020
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total	1,949	1,476	1,582	1,305	378

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

### 5.3.4 Gaming Premises - Commercial Bingo: Players' Visits

During the period January to June 2020, the number of players' visits to commercial bingo halls decreased by 54.1% when compared with the corresponding period of 2019.

	2017		2018		2019		2020
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total	90,366	90,414	91,097	88,075	83,238	83,324	38,190

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

Due to the temporary closure of the bingo halls resulting from the restrictions imposed by the Maltese Government to combat the spread of COVID-19, fewer visits were registered during the period under review.

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

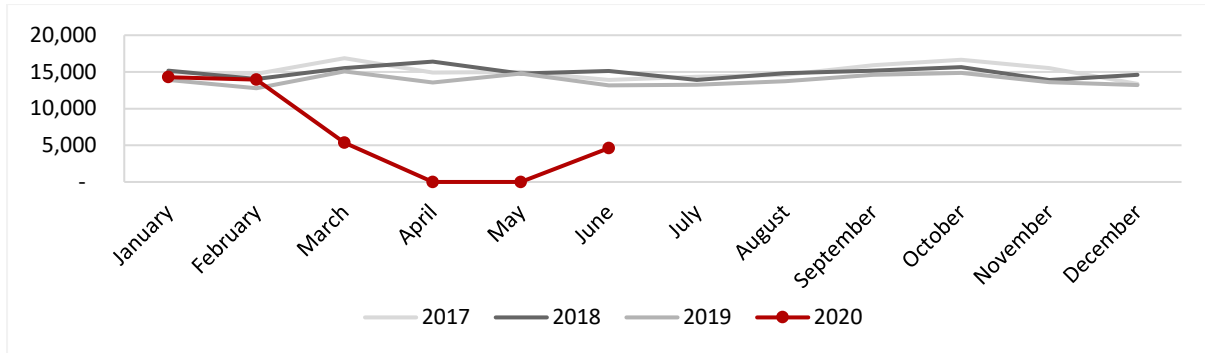


CHART 14: GAMING PREMISES - COMMERCIAL BINGO - NUMBER OF VISITS

### 5.3.5 Gaming Premises - Commercial Bingo: Players' Profile

#### 5.3.5.1 Nationality

Visits to commercial bingo halls were predominantly made by Maltese residents, constituting 96.8% of the total visits reported during the year under review.

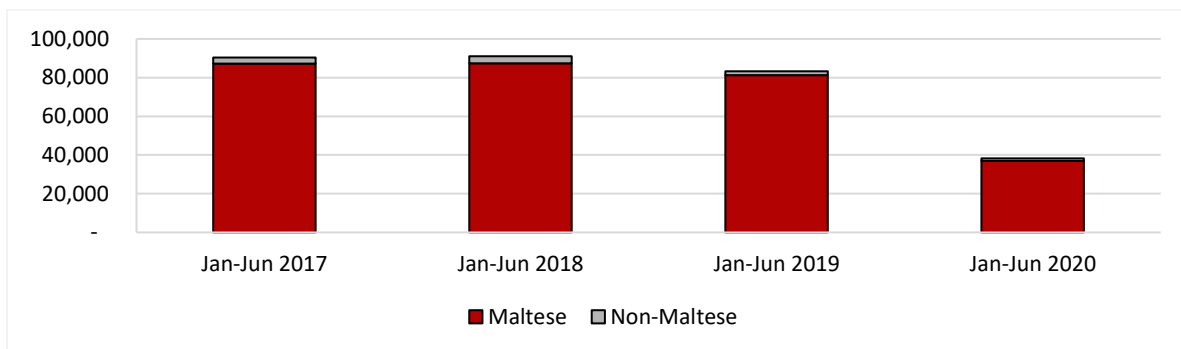


CHART 15: GAMING PREMISES - COMMERCIAL BINGO - PLAYERS' PROFILE BY NATIONALITY

#### 5.3.5.2 Demographic group

During the first half of 2020, visits by players from all age groups declined due to the closure of outlets. Visits by players aged 65 years or over continued to represent the highest share (58.8%) of the total visits registered by the commercial bingo sector. Visits by players from the 18–24, 25–34, 35–54, and 55–64 age brackets accounted for 0.7%, 2.6%, 12.6%, 25.2% of total visits registered during the reporting period respectively.

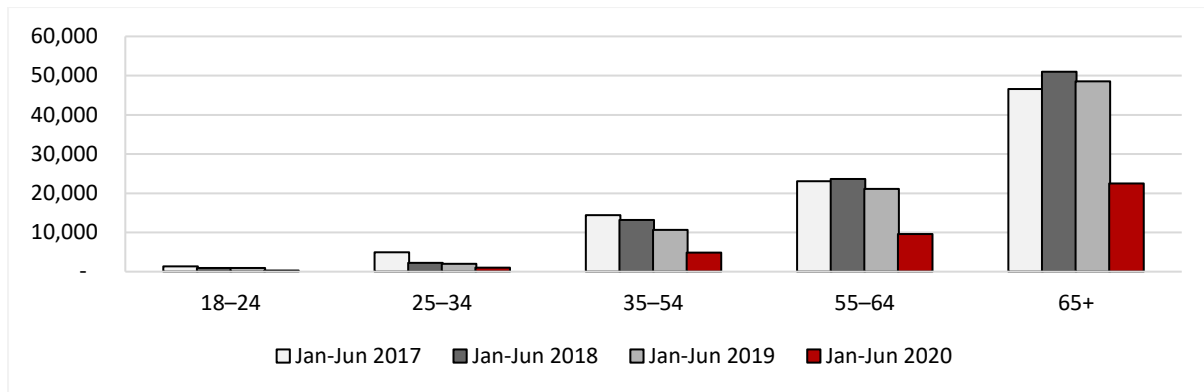


CHART 16: GAMING PREMISES - COMMERCIAL BINGO - PLAYERS' PROFILE BY AGE GROUP DISTRIBUTION

The vast majority of players who visited commercial bingo halls during this reporting period were women. Visits by females represented 86.3% of all the visits made during the first half of 2020, in line with the levels reported for the previous reporting periods.

### 5.3.6 Gaming Premises - Commercial Bingo: GR

During the period January to June 2020, the GR of the commercial bingo sector decreased by 52.4% when compared with the corresponding period of 2019, as a result of the closure of outlets imposed by the Government.

#### 5.3.6.1 Average GR per Visit

The average GR per visit for the period January to June 2020 stood at €14.

	2017		2018		2019		2020
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	10.1	11.2	13.3	13.4	13.4	12.9	14.0

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

### 5.3.7 Gaming Premises - Commercial Bingo: Compliance Contribution

During the first six months of 2020, the MGA collected a total of €118,344 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. In view of the closure of outlets imposed by the Government to contain the spread of the COVID-19, Table 21 points towards a decrease of 52.3% in the compliance contribution when the period under study is contrasted with the corresponding period of 2019.

	2017		2018		2019		2020
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	342,840	383,081	401,821	406,665	248,349	200,004	118,344

*Note: The figures for the period 2019 and January-June 2020 include the compliance contribution fee, licence fees, levies, and 5% consumption tax paid by the licensees operating commercial bingos in line with the Gaming Tax Regulations (S.L. 583.10). For the years 2017–2018, gaming tax and licence fees were reported in line with the First Schedule of the Commercial Tombola (Bingo) Regulations (2016).*

TABLE 21: GAMING PREMISES - COMMERCIAL BINGO - COMPLIANCE CONTRIBUTION

### 5.3.8 Gaming Premises - Commercial Bingo: Employment

By the end of June 2020, the bingo sector directly employed 37 FTE employees.

	2017		2018		2019		2020
	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun
Total	43	44	40	42	37	40	37

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

As at June 2020, 75.6% of all commercial bingo hall employees were female, in line with the figures reported as at December 2019. The ratio of Maltese nationals employed in the bingo sector went down to 75.6%, eight percentage points less when compared with the year-end 2019.

## 5.4 National Lottery

The National Lottery operator suspended the operation of all its points of sale from 18 March 2020 in line with Legal Notice 76 of 2020 regarding the closure of places open to the public due to the COVID-19 pandemic, including all retail gaming establishments. Following a 47-day shutdown, the retail network returned to operation as from 4 May 2020.

### 5.4.1 National Lottery: Turnover by Game Category

For the first six months of 2020, the total activity of the National Lottery operator, Maltco Lotteries Limited (Maltco), stood at €30.7 million. This is measured in terms of sales across three game categories, namely draw-based games, instant games, and sports games. The decrease in sales in comparison to the corresponding period of 2019 stood at 36.5% and is attributed to the temporary suspension of operations due to measures introduced by the Maltese Government to combat the spread of COVID-19.

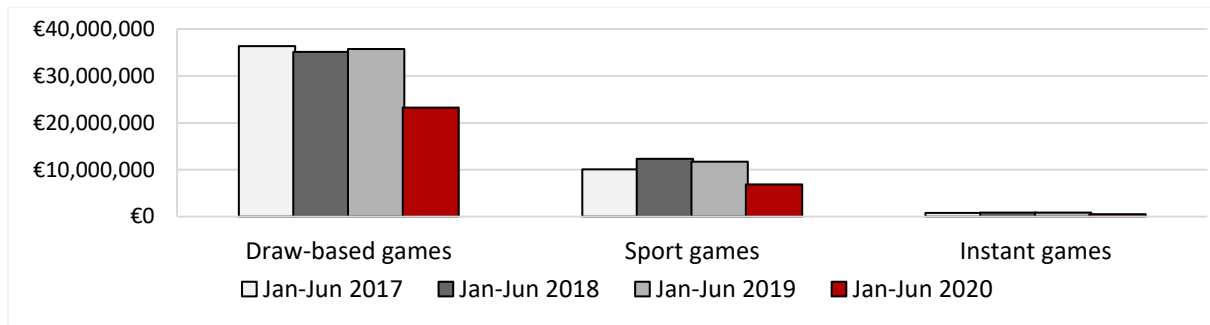


CHART 17: NATIONAL LOTTERY - TURNOVER BY GAME

SOURCE: MALTCO LOTTERIES LIMITED

During the first half of 2020, sales of draw-based games accounted for 75.9% of Maltco’s total sales. Sports games accounted for 22.4% whilst instant games made up 1.7% of the total sales reported during the period under review.

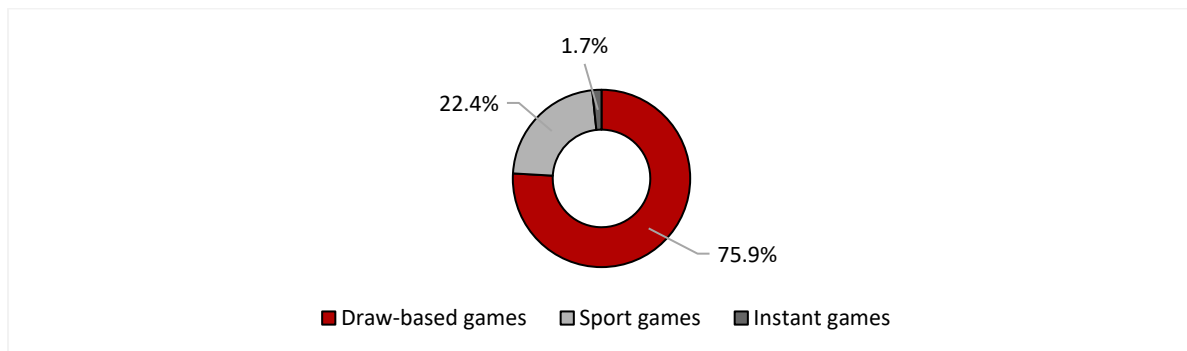


CHART 18: NATIONAL LOTTERY - TURNOVER BY GAME

SOURCE: MALTCO LOTTERIES LIMITED

### 5.4.2 National Lottery: Gaming Tax

Between January and June 2020, the total gaming tax payable by the National Lottery operator stood at €4 million, as shown in Table 23 below.

	2017		2018		2019		2020
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	6,500,110	6,313,294	6,260,164	6,462,351	6,135,020	5,788,070	4,009,402

TABLE 23: NATIONAL LOTTERY - GAMING TAX

#### 5.4.2.1 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 the first six months of 2020, Maltco passed on €235,354 to this Fund.

	2017		2018		2019		2020
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	350,131	334,952	331,948	358,921	406,727	305,478	235,354

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

### 5.4.3 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 June 2020, the number of Points of Sale amounted to 207 outlets spread across the Maltese Islands.

	2017		2018		2019		2020
	end-Jun	end-Dec	end-June	end-Dec	end-Jun	end-Dec	end-Jun
Total	232	236	230	220	221	215	207

TABLE 25: NATIONAL LOTTERY - POINTS OF SALE

## 5.5 Other Games

### 5.5.1 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.

#### 5.5.1.1 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 the first half of 2020, the MGA issued five permits for non-profit lottery and 396 permits for non-profit tombola. The slowdown in the number of applications for such events was expected as a result of the COVID-19 pandemic.

	2017		2018		2019		2020
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Non-profit lottery	33	21	17	23	20	14	5
Non-profit tombola	1,267	862	1,155	977	869	961	396

TABLE 26: NON-PROFIT GAMES - PERMITS ISSUED

#### *5.5.1.2 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 the first half of 2020, the MGA issued three certificates for commercial communication games.

#### *5.5.1.3 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 neither received nor issued any permits for such games yet.



## 6 Online Gaming

The COVID-19 pandemic was an unforeseen shock that disrupted every industry, including the gambling sector. The cancellation of national leagues and major sporting events around the world forced some operators to rethink their business models. The uncertainty around the impact of COVID-19 had a substantial impact on the online business, planned investments, and overall performance of the gambling sector.

### 6.1.1 Online Gaming: Number of Companies

As at the end of June 2020, the number of gaming companies offering online services exceeded 300, as shown in Table 27. The Gaming Act, 2018 (Chapter 583 of the Laws of Malta), 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 June 2020, 31 companies held corporate group licences, with a total of 100 entities forming part of the respective groups.

	2017		2018		2019		2020
	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun
No. of companies	275	287	291	273	273	284	303
<i>Additional companies falling under the Corporate Group Licence</i>	-	-	-	17	74	86	100

TABLE 27: ONLINE GAMING - NUMBER OF COMPANIES

### 6.1.2 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 number of gaming companies and licences are more 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 June 2020, the B2C group of licences accounted for 64% of the total licence base.

Out of the 31 corporate group licences that were active up to the end of June 2020, 20 referred to B2C-related operations whilst the remaining 11 were for B2B-related activity.

	2017		2018		2019		2020
	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun
B2C - Gaming Service Licence	489	554	577	207	194	195	196
<i>of which are the B2C - Corporate Licences</i>	-	-	-	6	10	14	20
B2B - Critical Supply Licence	69	71	84	68	82	92	111
<i>of which are the B2B - Corporate Licences</i>	-	-	-	3	6	9	11

Note: For 2017–end-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.

TABLE 28: ONLINE GAMING - DISTRIBUTION OF LICENCES BY CATEGORY

### 6.1.3 Online Gaming: Distribution of B2C Licences by Game Types

The new licensing regime categorises all the games that can be offered by the licensees into four different game types<sup>8</sup>. An operator can offer one or multiple game types. By the end of June 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 29 below.

	Type 1	Type 2	Type 3	Type 4
Total	153	116	34	10

TABLE 29: ONLINE GAMING - B2C - GAME TYPES (END-JUNE 2020)

### 6.1.4 Online Gaming: Customer Accounts

#### 6.1.4.1 Active Player Accounts

The number of active player accounts<sup>9</sup> registered on the websites licensed by the MGA grew by 11.8% to 17.2 million during the period January to June 2020 when compared with the corresponding period of 2019.

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

<sup>9</sup> Active accounts are defined as accounts belonging to customers who played at least once during the year under review.

	2017		2018		2019		2020
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total	10,249,149	10,225,332	12,687,671	14,223,448	15,386,270	15,260,941	17,203,612

TABLE 30: ONLINE GAMING - ACTIVE PLAYER ACCOUNTS

#### 6.1.4.2 New Active Player Accounts

During the period January to June 2020, the estimated number of new active player accounts stood at 7.6 million, reflecting a 12.3% year-on-year growth. This was also reflected in the 22.3% increase in the number of new registrations. The double-digit increase in the number of new player accounts during the first half-year of 2020 has not been considered as unusual since 19.7% growth was already reported during the period January-June 2019 whilst a 14.9% increase was reported a year earlier.

	2017		2018		2019		2020
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total	4,889,491	4,781,887	5,616,543	6,733,942	6,725,792	7,071,300	7,551,239

TABLE 31: ONLINE GAMING - NEW ACTIVE PLAYER ACCOUNTS

#### 6.1.5 Online Gaming: Players' Profile

##### 6.1.5.1 Demographic Group

Over the past four reporting periods, 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 the first six months of 2020. Customers from the demographically wider 35–54 age group constituted 31.8% of the player base. The share of players falling within the 18–24 age bracket rose by two percentage points to stand at 22.4% during the first six months of 2020. Players aged 55 and over continued to account for a minimal share of online gaming activity licensed under the Maltese jurisdiction.

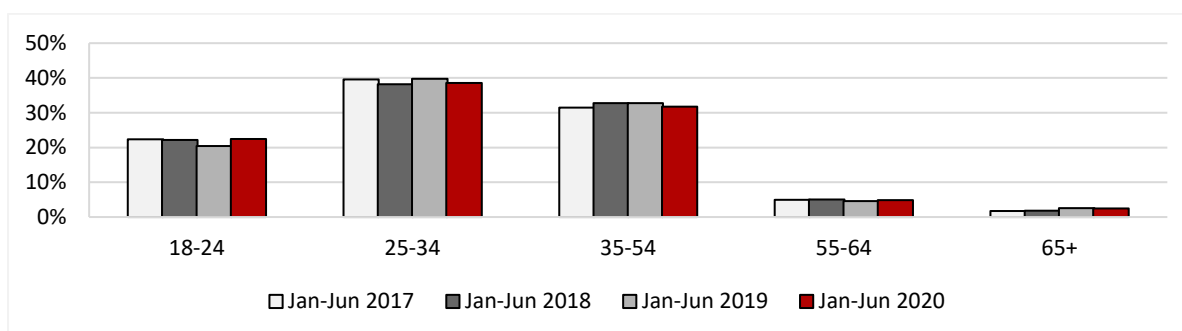


CHART 19: ONLINE GAMING - PLAYERS' PROFILE BY AGE GROUP DISTRIBUTION

Throughout the first six months of 2020, males continued to constitute the largest category of players, accounting for 73.7% of the total player base.

*6.1.5.2 Deposits as a Method of Payment*

During the first six months of 2020, the most popular method of deposits amongst customers of the MGA’s licensed companies was bank transfer. This payment method accounted for 35.2% of all deposit methods. Deposits made through credit/debit cards accounted for 28.8% of all payments whilst deposits made through e-wallets and online accounts constituted 18% of the total deposits. The remaining 18% of payments were made through other methods.

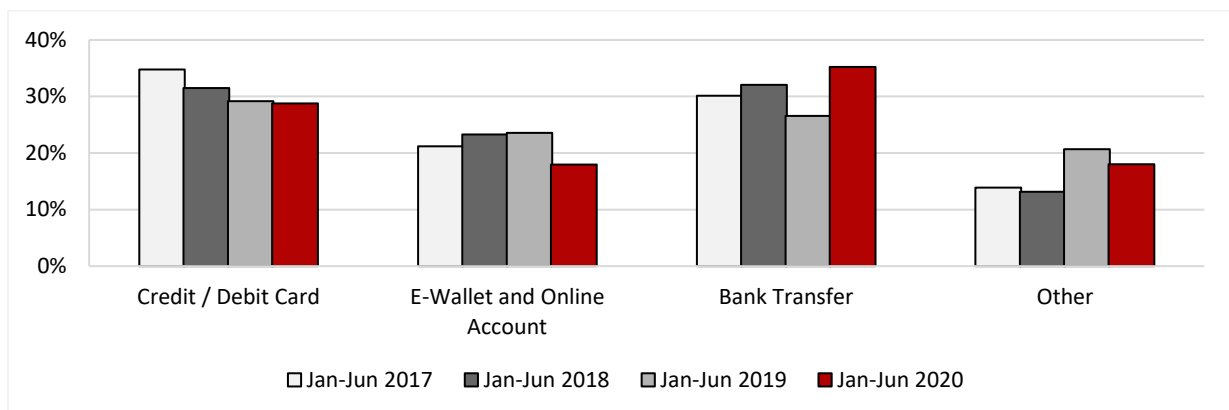


CHART 20: ONLINE GAMING - METHOD OF PAYMENT (DEPOSITS)

*6.1.5.3 Withdrawals as a Method of Payment*

During the first six months of 2020, 51.2% 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 21.2% and 13.8% of the withdrawals, respectively. The remaining 13.8% of the withdrawals were made through other methods, namely pre-paid vouchers and mobile payments.

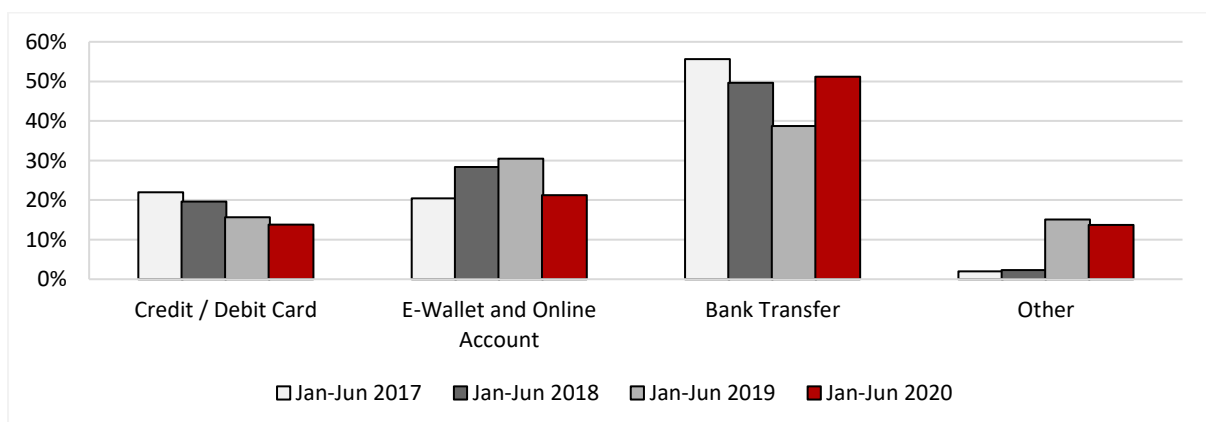


CHART 21: ONLINE GAMING - METHOD OF PAYMENT (WITHDRAWALS)

**6.1.6 Online Gaming: GR from Customer Gaming Activities (B2C licensees)**

It is estimated that during the first half of 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 eight percentage points when compared with the corresponding period of 2019. The GR generated from games falling under the Type 2 category was down by 12 percentage points, accounting for 26.3% of the total, whilst the share in GR of Type 3 games increased from 7.6% to 11.4%. The activity reported for the controlled skill games classified under Type 4 was minimal, when compared with other game types, throughout the first six months of 2020 and accounted for less than 1% of the total GR.

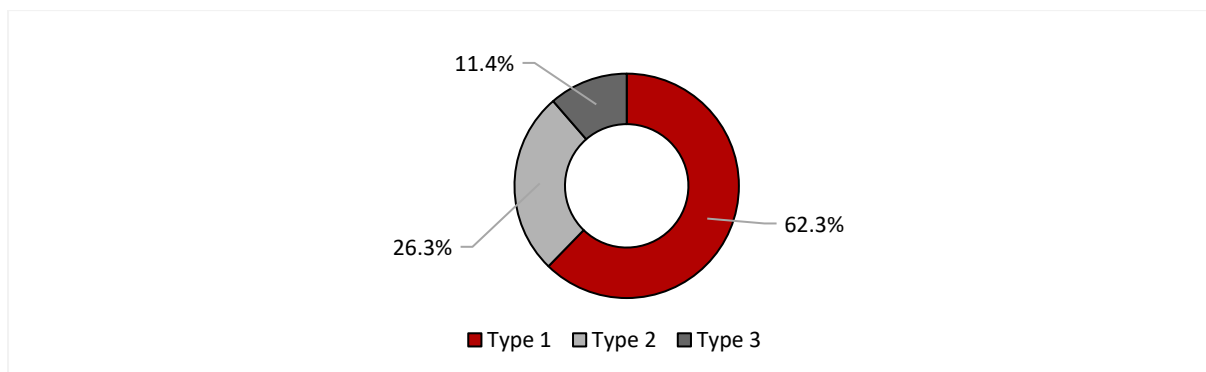


CHART 22: ONLINE GAMING - GR DISTRIBUTION BY GAME TYPE (JAN-JUN 2020)

The shift in the GR distribution between various game types, as shown in Chart 23, 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, Type 3, and Type 4 games.

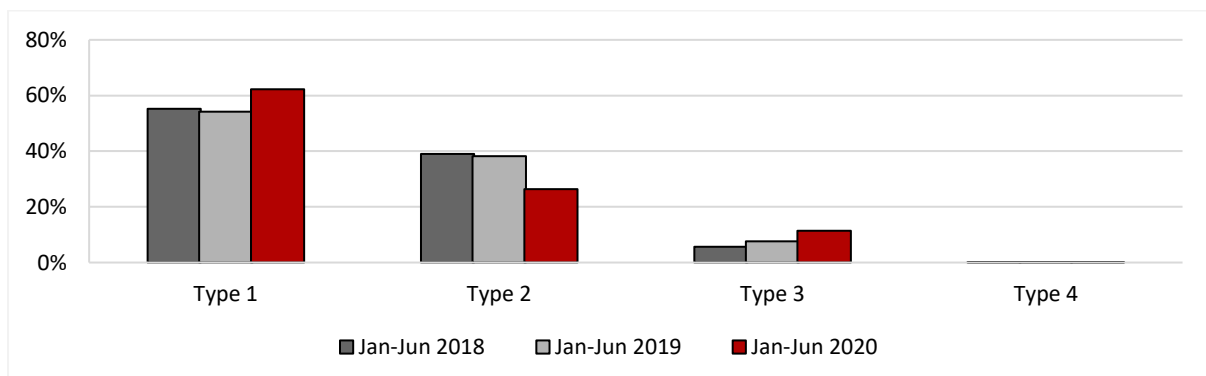


CHART 23: ONLINE GAMING - GR DISTRIBUTION BY GAME TYPE (JAN-JUN, 2018-2020)

*6.1.6.1 Type 1 Games*

The increase in GR during the first six months of 2020 was the most prominent for the Type 1 games. During the reporting period, 77.4% of the GR was generated through slot games whilst 18.4% was generated through table games. The remaining 4.2% of the GR for the Type 1 group was generated through other games, the most popular of which were virtual sports games, lotteries, and secondary lotteries.



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

*6.1.6.2 Type 2 Games*

During the period under review, 26.3% 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. Of all categories, betting on football generated the highest portion of GR from Type 2 games, at 74.8%. Bets on tennis accounted for 4.9% of the GR from Type 2 games. During the first six months of 2020, the GR generated from basketball constituted 4.8% of the GR whilst bets on cricket accounted for 1.8%. The remaining 13.7% of the GR was generated through other bets, including betting on horses, motorsports, golf, volleyball, ice hockey, and handball.

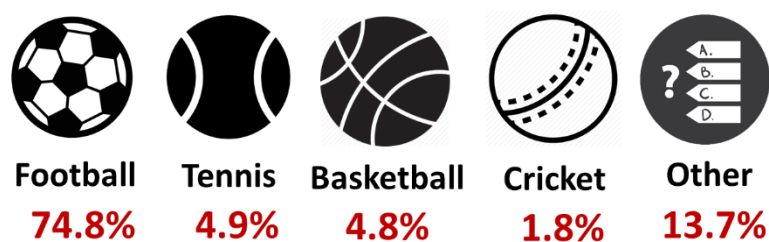


FIGURE 2: ONLINE GAMING - TYPE 2 GAMES - GR DISTRIBUTION

*6.1.6.3 Type 3 Games*

Throughout the six-month period ending 30 June 2020, Type 3 games became more popular, increasing its share in GR by four percentage points to stand at 11.4% as at the end of the reporting period. The peer-to-peer (P2P) poker generated a major share of the GR for Type 3 games, accounting for 90.8% of the total, an increase of 12 percentage points year-on-year. Betting exchange constituted

4.3% of the GR whilst P2P bingo and lottery messenger both accounted for 2.2%. The remaining 0.5% of the GR was generated by other games offered through Type 3 approval.

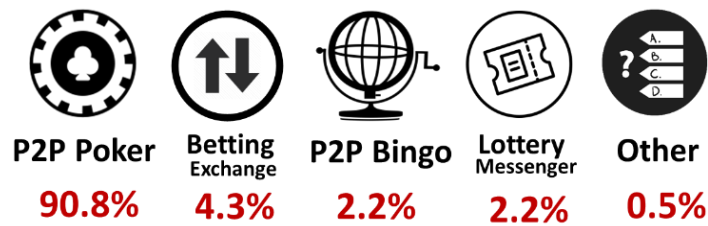


FIGURE 3: ONLINE GAMING - TYPE 3 GAMES - GR DISTRIBUTION

### 6.1.7 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 the first six months of 2020, the MGA collected dues owed in terms of the applicable legislation totalling €24.6 million.

	2017		2018		2019		2020
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	15,684,225	15,855,718	14,876,798	24,909,101	23,856,146	23,399,034	24,600,256

Note: The figures for the years 2018–2019 and January–June 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). For 2017, the gaming tax and licence fees were reported in line with the Remote Gaming Regulations (S.L. 438.04).

TABLE 32: ONLINE GAMING - COMPLIANCE CONTRIBUTION

### 6.1.8 Online Gaming: Employment

As at the end of June 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 7,196<sup>10</sup>.

	2017		2018		2019		2020
	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun
Total	5,542	5,861	6,021	5,950	6,142	6,593	7,196

TABLE 33: ONLINE GAMING - EMPLOYMENT (FTE)

<sup>10</sup> This number refers to direct employees working on MGA-licensed activities. Kindly refer to Point 10 of the Methodology for more information.

As at the end of June 2020, 62% of all employees within the online gaming industry in Malta were male. The proportion of non-Maltese workers in the online gaming industry constituted 68% of all employees in this sector. This further highlights the need for expatriate workers to sustain the growth of the industry.



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## 10 Annex 1 - Statistical Regions and Districts of Malta

### Local Administrative Units (LAUs)

Districts (LAU 1)	Locality (LAU 2)
Southern Harbour	Cospicua, Fgura, Floriana, Ғal Luqa, Ғaž-Ғabbar, Kalkara, Marsa, Paola, Santa Luċija, Senglea, Ғal Tarxien, Valletta, Vittoriosa, Xgħajra.
Northern Harbour	Birkirkara, Gżira, Ғal Qormi, Ғamrun, Msida, Pembroke, San Ġwann, Santa Venera, St Julian's, Swieqi, Ta' Xbiex, Tal-Pietà, Tas-Sliema.
South Eastern	Birżebbuġa, Gudja, Ғal Għaxaq, Ғal Kirkop, Ғal Safi, Marsaskala, Marsaxlokk, Mqabba, Qrendi, Ғejtun, Ғurrieq.
Western	Ғad-Dingli, Ғal Balzan, Ғal Lija, Ғ'Attard, Ғaž-Ғebbuġ, Iklin, Mdina, Mtarfa, Rabat, Siġġiewi.
Northern	Ғal Għargħur, Mellieħa, Mgarr, Mosta, Naxxar, St Paul's Bay.
Gozo and Comino	Fontana, Għajnsielem, Għarb, Għasri, Munxar, Nadur, Qala, San Lawrenz, Ta' Kerċem, Ta' Sannat, Victoria, Xagħra, Xewkija, Ғebbuġ.

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