

The benefits of Malta's remote gaming regulations

by Mario Galea

Over the past year Malta has received and granted over 60 remote gaming licences. The provenance of applications range from all regions - from Asia to Europe to the Americas. Applications are processed efficiently, but rigorously. Licensees have to pass unscathed the three phases of the application process, before they are granted a full remote gaming licence for a period of five years with ongoing monitoring over the period. Strong, but pragmatic regulation has become the hallmark of Malta's success as the leading European remote gaming jurisdiction.

Indeed, remote gaming operators are not enticed to get a Maltese licence by the competitive tax rates or the favourable corporate structures, but by the quality of regulation and jurisdiction stability which has become a point of differentiation that adds value to their business and minimises their risks, especially for those operators seeking a listing on the stock market or already publicly listed.

Over an incredibly short period of time the iGaming industry has transcended the limitations of brick and mortar casinos and high street betting shops, relying evermore on high tech innovations that have increased player interactivity and made it possible to deliver gaming anytime, anywhere and on any telecommunication device. For this reason, iGaming is also fraught with difficulties when it comes to define its conceptual and legal parameters. The rules of the real world have become inadequate to address the issues of its cyber equivalent. The fact that many still persist in applying the bricks-and-mortar rules to the online reality is a mistake.

Malta's Remote Gaming Regulations, published in April 2004, set out to address the issue by making a fresh start.

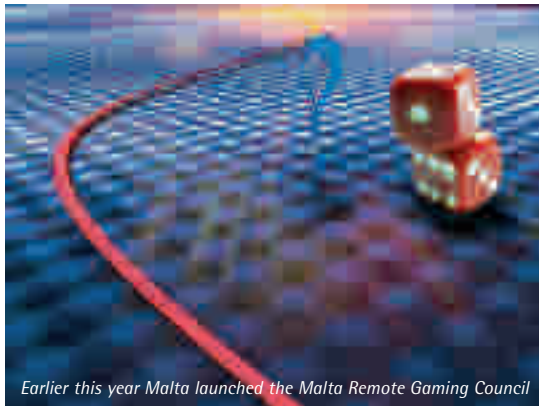
The Malta advantage

No one can deny that Malta is having a positive experience of iGaming operators who have opted to take a Maltese licence. We strongly believe that a regulatory framework has to be a feasible proposition for the operator's business structure, whether it is that of a start-up or of a more seasoned operator.

Malta is an EU member state since May 2004 and therefore has harmonised

its regulations and services with rest of the other member states but remains the only one with a complete regulatory regime for on-line gaming.

The new remote gaming regulations introduce many new concepts to the industry. Most important of these concepts is that the regulations are both game and technology neutral. This means that any form of game can be licensed and can be conveyed to the player using any form of communications as long as the player remains in cyberspace.



Earlier this year Malta launched the Malta Remote Gaming Council

One of the foremost advantages of regulation is player trust. As operators know full well, consumer trust can make or break their business. In a virtual environment, without borders, customers want to feel adequately safeguarded before parting with their money. Players want to be sure that an independent, trusted source has at some point verified the credentials and integrity of the operator. Malta's experience shows that operators, who have a lot at stake, are eager to give this guarantee to their players.

The other side of the coin is that this is a high-risk business for the operator. While sheer prejudice has indiscriminately put the charge of money-laundering and fraud at the door of this industry, operators are aware that the risks of players are not unmatched by the risks that they run. Potential liabilities, such as charge backs, have spurred operators to take KYC policy to unprecedented levels. The operator has to ensure that in so doing he does not fall foul of privacy and data protection laws.

It is believed that adequate regulation will help to create this fine equilibrium. Players will have the above-

mentioned safeguards in place since any licensee will have undergone a rigorous due diligence process. Anti-money laundering provisions are strictly enforced to the benefit of all and sundry.

Ever since Malta issued the first Seal of Approval, licensees have been enthusiastic to display it on their website, thereby acquiring a point of differentiation.

Industry trends show that many operators have moved away from the mere idea of offering 'gambling', and prefer to focus on providing an alternative form of entertainment. Such a notion is inevitably linked to responsible gaming. It can hardly be overemphasised that responsible gaming can only be promoted through equitable regulation. Malta's remote gaming regulations have player protection and the promotion of responsible gaming, at their core.

Many operators are increasingly aware that to meet new challenges and enhance their business asset, they must necessarily operate within good regulation and be part of the initiatives taken by well-regulated jurisdictions. Their response is encouraging and that is one reason why Malta has, earlier this year, launched the Malta Remote Gaming Council. The MRGC has been set up with the aim of creating a common platform from which operators and ancillary service providers can address several issues and meet new challenges, with the benefit of collective experience and expertise.

Above all, this the Maltese regulations remain pragmatic. The authorities clearly understood that regulation alone will not make these operators competitive, but their bottom line was governed by keeping their overheads low. In this respect taxation has been adjusted to fit the particular markets. Gaming tax ranges between a fixed tax of €75,000 per year for online casinos to 0.5 percent for online betting. Other gaming taxes apply for different types of operation but in all cases their maximum tax paid is €460,000.

The remote gaming industry is faced with new market realities on a day-by-day basis. It is an industry that has no choice, but to drive on the fast lane. Strong regulation is proving to be the only constant guarantee of 'roadworthiness'.