

2021

ANNUAL REPORT

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CHAIRPERSON'S FOREWORD

DR RYAN C. PACE
CHAIRPERSON



Looking back at my first full year as Chairperson of the Board of Governors of the MGA, I am encouraged by the progress the Authority and the Board have made in 2021. We have worked tirelessly to perpetuate the vision of the MGA becoming a world-class gaming authority, implementing best practices, and effectively regulate a thriving gaming sector in a manner that supports the evolution of the sector.

Undoubtedly, the year posed numerous challenges, in part due to the ongoing COVID-19 pandemic, but particularly due to the direct threats posed to the country's competitiveness and reputation. The placing of Malta in 2021 on the FATF's list of jurisdictions under increased monitoring was undeniably an obstacle in our continued effort to retain Malta's position as the place of choice for the establishment of a sustainable and well-regulated gaming business. We were nonetheless encouraged by the gaming industry's satisfactory performance in the MONEYVAL and FATF review, and also by the fact that all institutions have been working hard to address the issues raised by the FATF by implementing several reforms across the board. I believe that our achievements have contributed towards Malta's removal from the FATF grey-list, whilst the changes that have been implemented in the past months will continue to strengthen our jurisdiction.

The Board was cognisant of the challenges associated with increased restrictions to access key European markets in which licensee services may be offered and which underpins the MGA licence from the perspective of market access. The Board's efforts were further driven by the identified potential impact of other emerging markets, and additional threats to Malta as a place of establishment posed in the form of the OECD's publication of rules for the implementation of a minimum corporate tax rate of 15%, applicable to certain Multinational Enterprises. In 2021, we embarked on a series of initiatives to contribute towards a sustainable strategy for the gaming sector, to mitigate such difficulties and ultimately safeguard Malta's competitiveness as a jurisdiction and place of establishment going forward. The Board wholeheartedly believes in the Maltese gaming legal framework as a robust foundation to support the fight against such challenges. This legal framework coupled with the Authority's uncontested experience in establishing best practices and effective regulations and policies, hold immense value in and of themselves. Consequently, these further empower the MGA licence. Our efforts are geared towards presenting Malta and the Maltese gaming legal framework as an exemplary framework that ensures gaming is fair and transparent to

players, while sufficiently minimising the potential negative effects of gaming through appropriate regulation and supervision of gaming activities.

Looking ahead, where the value of the MGA licence lies may change slightly, as within Europe the market access for B2C operators has dwindled. The value will, however, undoubtedly remain. The value of the Maltese licence will come from its strong legal foundation that allows us to present the Maltese licensing regime as a model framework, on which other less established or emerging markets and countries may base their regulations. It will come from access to other markets, underpinned by the strength of Malta's robust legal regime. The value of the Maltese licence will also be derived from the strength of our B2B licence, which has been well-established for decades. As a country, our effectiveness lies in our undoubted experience in overseeing the gaming sector and the positive diplomatic relations we hold with our international counterparts across the globe. Our priority moving forward is to utilise these relationships and continue to work towards stronger cooperation and new connections with other countries' regulatory and supervisory bodies. It is also imperative that we continue to offer our knowledge and experience in the field of gaming regulation, with a view of gaining recognition for our achievements and allowing our licensees to benefit from the positive international relations that have been built and will continue to be built in the years to come.

In conclusion, I would like to express my deep appreciation to my fellow Governors for their dedication and wise counsel, which helped the Authority to deliver strong results amidst numerous challenges that we have been facing throughout the year. I am also grateful to all our industry stakeholders for their ongoing trust and confidence in the MGA and the changes that we have been implementing. We are, without doubt, more resilient and stronger together. And I would like to thank the Chief Executive Officer, the Executive Committee, and all the Authority's employees for their hard work in pursuit of the MGA's objectives.

STATEMENT BY THE CEO

DR CARL BRINCAT
CHIEF EXECUTIVE OFFICER



2021 - a year that was undeniably challenging for the world at large, for the industry, and for the MGA as an organisation. In spite of the trying times, it is safe to say that the strategic thinking that the MGA has been implementing proved its worth and the Authority was well-equipped to handle the turbulent times experienced.

Aside from keeping up with our day-to-day duties, notwithstanding the challenges brought about by the continued COVID-19 pandemic and other extraneous factors, significant changes have taken place in terms of transforming the organisation into a leaner and more efficient entity, while also laying the groundwork for continued future improvement. In fact, I would be remiss not to mention the substantial improvements made to the internal structures of the Authority, starting with the formation of the Business Transformation function, tasked with the streamlining of our internal processes to render them more effective and less bureaucratic, both internally and externally. With such groundwork in place, we were able to initiate the process of modernising the Authority's technical systems and tools to ensure that efficient workflows are achieved across the board. Moreover, the revamp of the gaming licence application process involved several internal changes which will finally be felt by external stakeholders in the coming months and years, directly reducing unnecessary bureaucratic processes – a matter that was a priority for 2021 and remains such for the years ahead.

Amongst other things, the above developments will further drive improvements to our regulatory approach. In fact, throughout the year of 2021 the Authority focused its efforts on improving existing processes, directly working towards raising the bar of how we ensure compliance with our regulatory standards. To name a few of such efforts, we saw the commencement of Responsible Gaming audits, Player Funds Report audits and Tax Compliance audits. We enhanced the operator check process, made major improvements to our Onboarding Risk Matrix, and ramped up efforts for a substantial increase in interviews to prospective MLROs. I firmly believe that our regulatory ceiling is where it should be; but we must ensure compliance at all times to ascertain that all our licensees are held to the same standard.

In terms of Financial Crime Compliance, the Authority made great strides by carrying out and concluding the AML/CFT Sectoral Risk Assessment, to gain an informed and holistic insight of the risks associated with the sector, providing solid grounds for continued efforts to identify mitigating measures to the identified risks – an exercise that will further contribute to the National Risk Assessment being led by the NCC. In addition, the Suspicious Betting Reporting Requirements were extended to B2B licensees, and this mechanism successfully fed information back into the industry and contributed to a number of local and international sporting and law enforcement investigations.

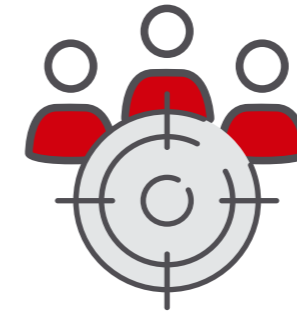
Furthermore, in the interest of ever-increasing transparency, efforts were made to improve the open channel of communication with the industry and external stakeholders at large, in turn ensuring licensees are given the best opportunity to operate sustainably and in compliance with their obligations. These efforts will continue and will be increased in the coming years, as we firmly believe that our licensees share our goal of ensuring a compliant and sustainable industry, with players at its heart.

We are aware that our licensees face significant costs and challenges by having to comply with many different regulatory frameworks in different countries, and remain committed to doing our utmost to reduce that burden wherever this is possible. To this effect, we prioritised the conclusion of the MGA's International Affairs Strategy, in line with the MGA's three-year Corporate Strategic Plan. The Strategy identifies the current challenges faced by the industry and potential weaknesses in our strategies and the country as a whole and establishes explicit action points to tackle the most pertinent issues moving forward. The Strategy has crystallised the MGA's priorities vis-à-vis its foreign counterparts and lays down a robust foundation on which to build our international outreach and ensure that Malta remains a competitive and reputable jurisdiction of establishment. Concurrently, efforts to continue increasing local outreach are ongoing and shall remain so in the years ahead.

In this regard, we were happy to see the world slowly return to normality, with travel restrictions easing significantly, allowing us to resume in-person meetings not only with local stakeholders, but also with our international counterparts. Although I am grateful for the technological advancements that the COVID-19 pandemic accelerated, allowing our work to press ahead despite the obstacles, it is undisputed that the ability to meet people in person allows for fruitful discussions and debates that are difficult to have from behind a screen.

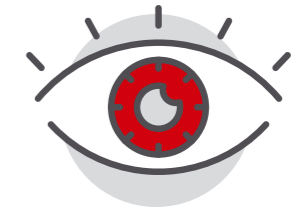
I would like to extend my gratitude to my current Executive Committee members Christopher, Peter and Rebekah, as well as my former General Counsel Yanica, for expertly leading their teams through a turbulent year and seeing our objectives reached regardless of the difficulties that arose. I would also like to thank my Board of Governors for their guidance and support throughout my first year as Chief Executive Officer, and the MGA staff as a whole for their dedication and commitment. Lastly, I am also grateful for the cooperation we receive in carrying out our work from our licensees and other industry stakeholders, as well as fellow regulators and competent authorities both locally and abroad.

OUR MISSION



Since our inception, our **mission** has revolved around the principle of having a fair and transparent gaming sector in Malta to safeguard against crime and corruption, and to offer protection to minors and vulnerable players.

This overriding mission is reflected in the values that we embrace, by means of which we pledge to be transparent in the way we conduct our operation, humane in our interactions with our various stakeholders and innovative in all we do, while respecting all parties by being unbiased and geared to maximise the knowledge and experience garnered over the years.



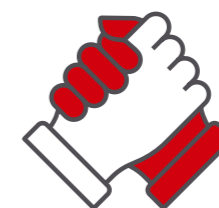
Our **vision** always remains to sustain Malta's position as one of the most reputable jurisdictions in the gaming industry while ensuring that gaming is kept free from crime. This is ensured by intensifying international collaboration efforts and by adapting Malta's gaming regulatory framework to evolving market needs, thus aiming for excellence.

Our core values shape our culture, serving as the foundation for our actions and decisions.



ONE MGA

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



RESPECT

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



TRANSPARENCY

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



PASSIONATE

Striving to go beyond our duty and aiming for excellence in the quality of our work.

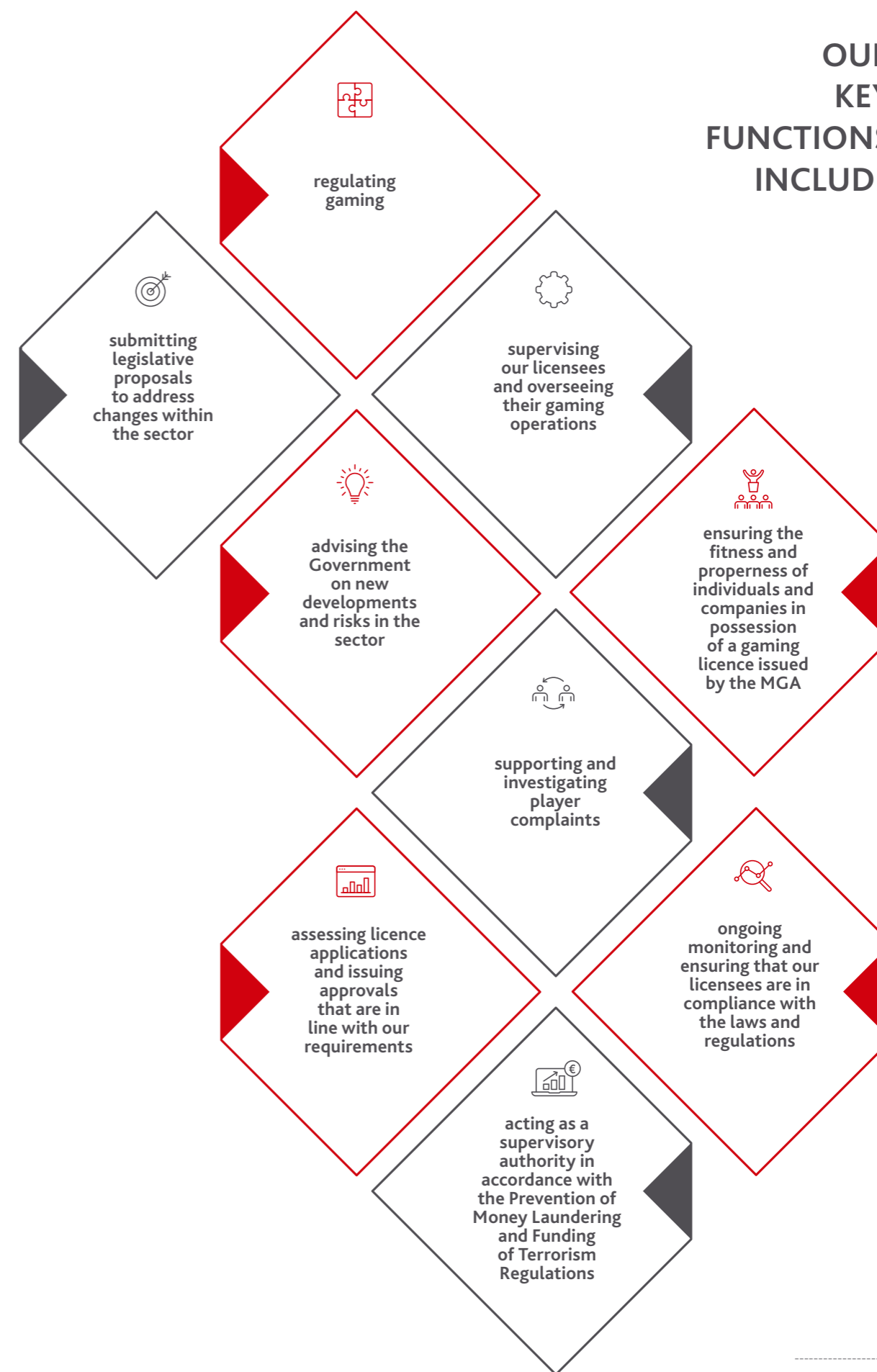
**OUR
VALUES**

OUR STRUCTURE

**The Malta Gaming Authority (MGA/Authority)
is the regulatory body responsible for the
governance and supervision of all gaming
activities in and from Malta.**

Within our jurisdiction, we oversee the provision of fair, responsible, safe, and secure gaming services, with particular emphasis on the prevention of crime, fraud, and money laundering, and the protection of minors and vulnerable persons.

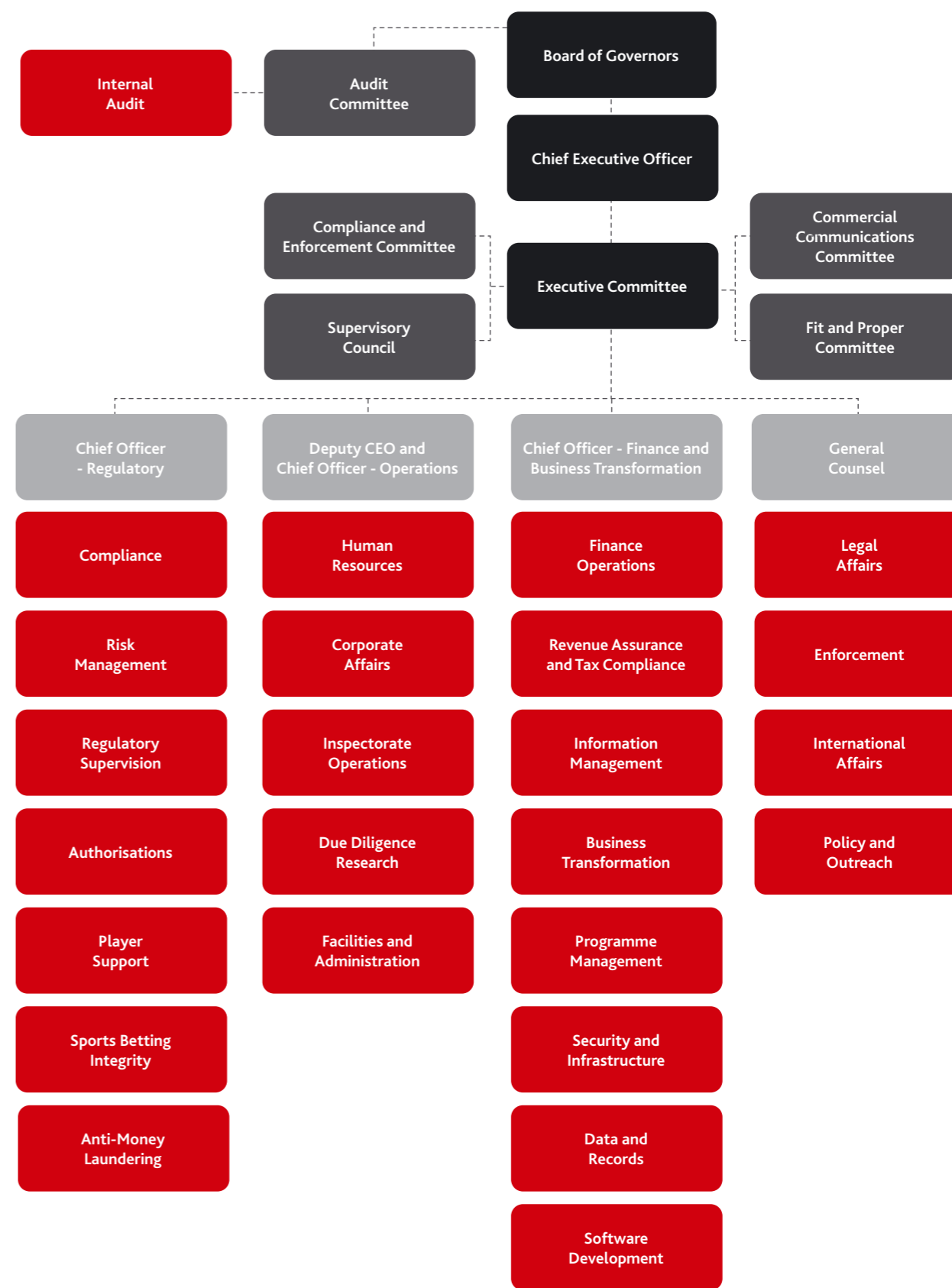
OUR KEY FUNCTIONS INCLUDE



KEY FUNCTIONS

OUR ORGANISATIONAL STRUCTURE

AS AT THE END OF 2021



● Core Governance ● Committee / Council ● Chief Officers forming part of ExCo ● Departments

OUR BOARD AND EXECUTIVE COMMITTEE

THE BOARD

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



DR RYAN C. PACE
Chairperson



DR CARL BRINCAT
Chief Executive Officer



CARMEN CIANTAR
Board Member



CAESAR GRECH
Board Member



ROBERTO FRANCALANZA
Board Member



JULIANA SCERRI FERRANTE
Board Member



RUTH TRAPANI GALEA FERIOL
Board Member



ADRIAN CARUANA
Board Secretary

THE EXECUTIVE COMMITTEE

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



DR CARL BRINCAT
Chief Executive Officer



CHRISTOPHER FORMOSA
Deputy Chief Executive Officer
& Chief Officer Operations



REBEKAH DUCA
Chief Officer Regulatory



YANICA SANT
General Counsel



PETER SPITERI
Chief Officer Finance &
Business Transformation

THE COMMITTEES AND COUNCIL

It is our belief that only through the right governance structures and adequate controls, that we can manage to achieve our mission. Over the years we have developed a corporate structure which encompasses a supervisory council and thematic committees.

Supervisory Council

The Supervisory Council is responsible for the supervision and review of the regulatory objectives of the Authority and for ensuring the integrity, consistency and development of the regulatory functions of the MGA. It is also tasked with providing oversight and guidance in relation to ongoing regulatory issues, strategic regulation and to act as an advisory committee to the Authority's Board and management. The Council is composed of senior management members from the Authority's regulatory and legal functions.

Audit Committee

Falling directly under the responsibility of the Board, the role of the Audit Committee is to ensure good corporate governance, effective risk management and robust internal control mechanisms.

The Audit Committee oversees the accounting and reporting processes, the audits of the financial statements, internal audits and internal control systems as well as conduct any investigations into matters which fall within the scope of its responsibility. Furthermore, it is responsible for approving the strategic and annual operational internal audit plans while managing and supervising the internal audit function of the Authority.

Internal Audit

The Internal Audit function within the MGA is entrusted to provide internal assurance and advice, in an independent and objective manner, with the ultimate objective of adding value and improving the overall operations of the Authority and ensuring that adequate control mechanisms are in place and functioning. During 2021, a number of internal audits were undertaken in line with the risk based internal audit plan approved by the Authority's Audit Committee.

Fit and Proper Committee

The Fit and Proper Committee has been charged with assessing and determining the fit and properness, especially from a criminal probity perspective, of both individuals and companies that are applying for any form of MGA licence, both at onboarding stage and throughout the lifecycle as licensees.

The Committee decides which entities and individuals should be screened, when an enhanced due diligence is to be conducted, and whether or not existent licensees should continue to conduct gaming business under the Malta licence. It also suggests changes in the policies and procedures regarding the fit and properness of operators and individuals, recommends enforcement actions where it deems necessary and also turns down approval requests. Furthermore, it also evaluates and determines any changes in the risk assessment of licensed operators and may impose licence conditions at its own discretion.

Commercial Communications Committee

The Commercial Communication Committee evaluates all gaming commercial communications to ensure that they are in compliance with the provisions set out in the Gaming Commercial Communications Regulations (S.L. 583.09), and more importantly, to guarantee the protection of players and vulnerable persons. The Commercial Communications may be brought to the attention of the Committee by the general public or through the various regulatory and monitoring structures set up within the Authority.

Compliance and Enforcement Committee

The Compliance and Enforcement Committee is primarily responsible for evaluating breaches of the Gaming Act (Chapter 583 of the Laws of Malta) and the regulatory instruments issued thereunder. The Committee is composed of seven members from the different directorates within the Authority, to reflect the various issues which are brought to the fore for the consideration of the Committee. The examination of breaches by the Committee is carried out in accordance with the pre-set guidelines published in November 2019, Guiding Principles for the Application of Enforcement Measures, in order to ensure that enforcement measures are imposed in an appropriate and proportionate manner.

THE DIRECTORATES



CEO's Office

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



Regulatory Directorate

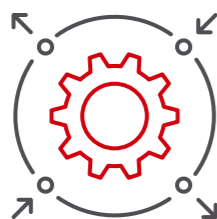
The **Regulatory Directorate** is responsible for the authorisations and compliance functions of the Authority. It is entrusted with management of the overall onboarding of the various types of authorisations, which primarily includes the undertaking of criminal probity screening at the stage where an application for a gaming licence or certificate is made and whenever necessary thereafter, the processing of applications and the issuance of the relevant gaming licences, certificates, and all other types of authorisations required or sought by applicants, and their eventual renewals. This Directorate also processes notifications and other requests for approval by licensees as required by law.

In addition, it is responsible for the compliance of both online and land-based licensees with the stipulated licence conditions, the relevant legislative framework, and other regulatory instruments. Furthermore, the Directorate ensures that players are being protected by undertaking the necessary regulatory supervision assists and facilitates resolutions of complaints and disputes between players and licensed operators. It also contributes towards the fight against the manipulation of sports competitions by ensuring sports integrity and aiding in the investigation of irregular and suspicious betting activity.

The Directorate's functions also encompass compliance with Anti-Money Laundering (AML) regulations and the carrying out of investigations on reported or identified illegal gaming operations performed to or from Malta, or through a Maltese legal entity. Moreover, this Directorate encompasses the risk management function which is responsible for the overall development and centralisation of a risk-based approach towards the identification and mitigation of risks that could affect the Authority's day-to-day operations, as well as strategic risks in line with the risk appetite established by its Board. Furthermore, it is also entrusted with the implementation of effective risk management practices within the Authority and with assisting risk owners in defining the risk exposure within their department.

Operations Directorate

The **Operations Directorate** is responsible for the overall day-to-day operations of the MGA through the various support functions falling within its responsibility. The human resource function ensures that employees work in a positive and safe environment and promotes a high-performance culture across the Authority. The responsibility of the promotional and corporate affairs management of the MGA lies within the responsibility of this Directorate, which ensures that the objectives set out by the Authority are communicated effectively. In addition, this Directorate is responsible for



the undertaking of research on due diligence topics which are of concern to the Authority with the aim of contributing on a policy level regarding the way forward on various aspects.

Inspections in land-based outlets as well as the oversight of live draws of the National Lottery operator's games fall within the remit of this Directorate together with the management of facilities, health, safety and security of the Authority.

Finance and Business Transformation



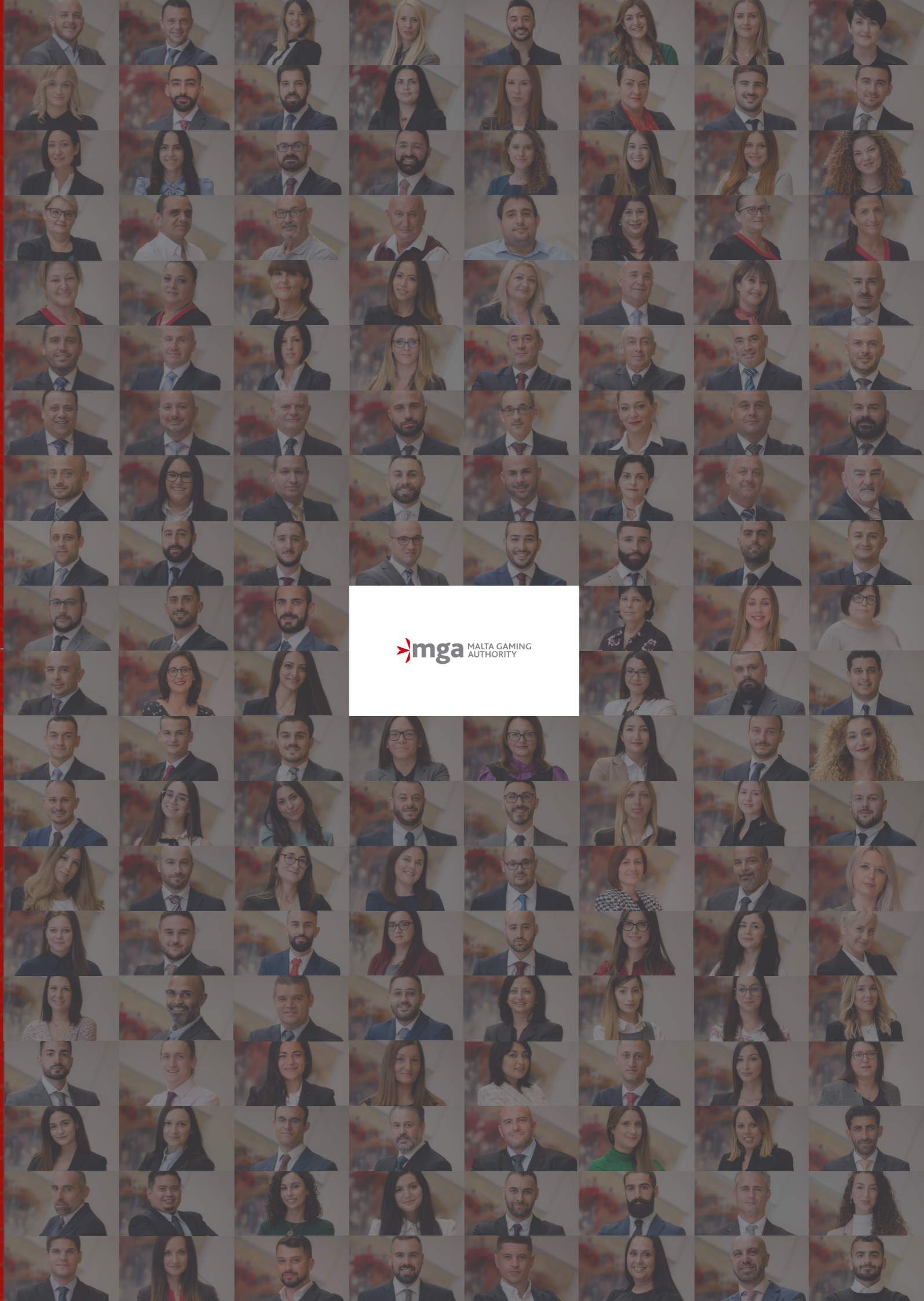
The **Finance and Business Transformation Directorate** is responsible for a number of support functions which ensure the well-functioning of the Authority. The finance function is primarily responsible for the collection of compliance contributions, licence fees, and other administrative fees due to the Authority, as well as for the general corporate finance support which provides for financial accounting, planning, and control, as well as procurement. This Directorate is also responsible for the information management function which supports the organisation in data-driven decision-making by providing key statistics on the gaming industry. This Directorate also encompasses horizontal functions which manage the overall execution of the Authority's strategic projects while ensuring that the Authority embraces a culture of operational excellence by ensuring high quality outputs as well as efficient business processes and daily operations work-flow management.

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

General Counsel Directorate



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



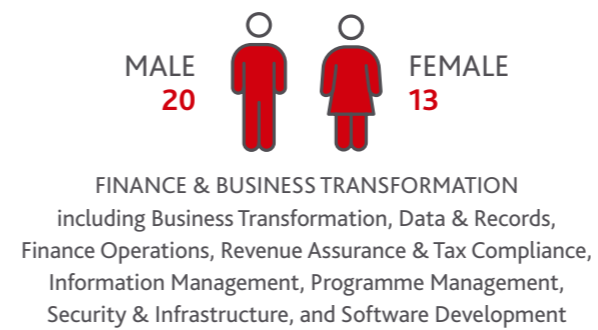
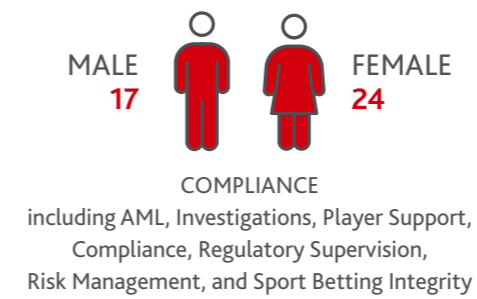
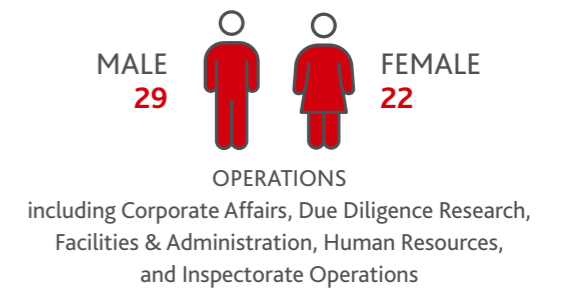
OUR PEOPLE

YEAR **2021**

MALE **86** FEMALE **82**

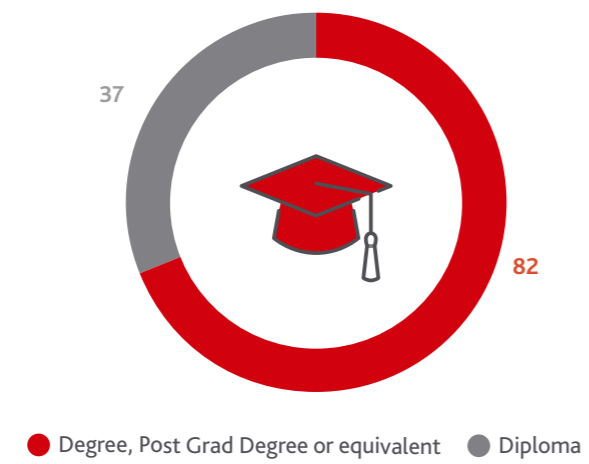
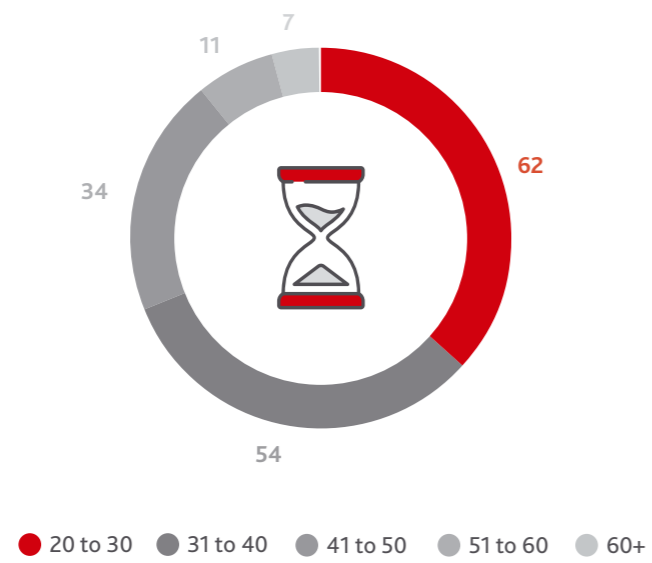
TOTAL **168**

TOTAL HEADCOUNT FOR **2021**



Note: The distribution of functions and employees between the various Directorates refers to the Authority's structure as at the end of 2021.

YEAR 2021



YEAR 2021



BOARD OF DIRECTORS



C-LEVEL EXECUTIVES



SENIOR MANAGEMENT

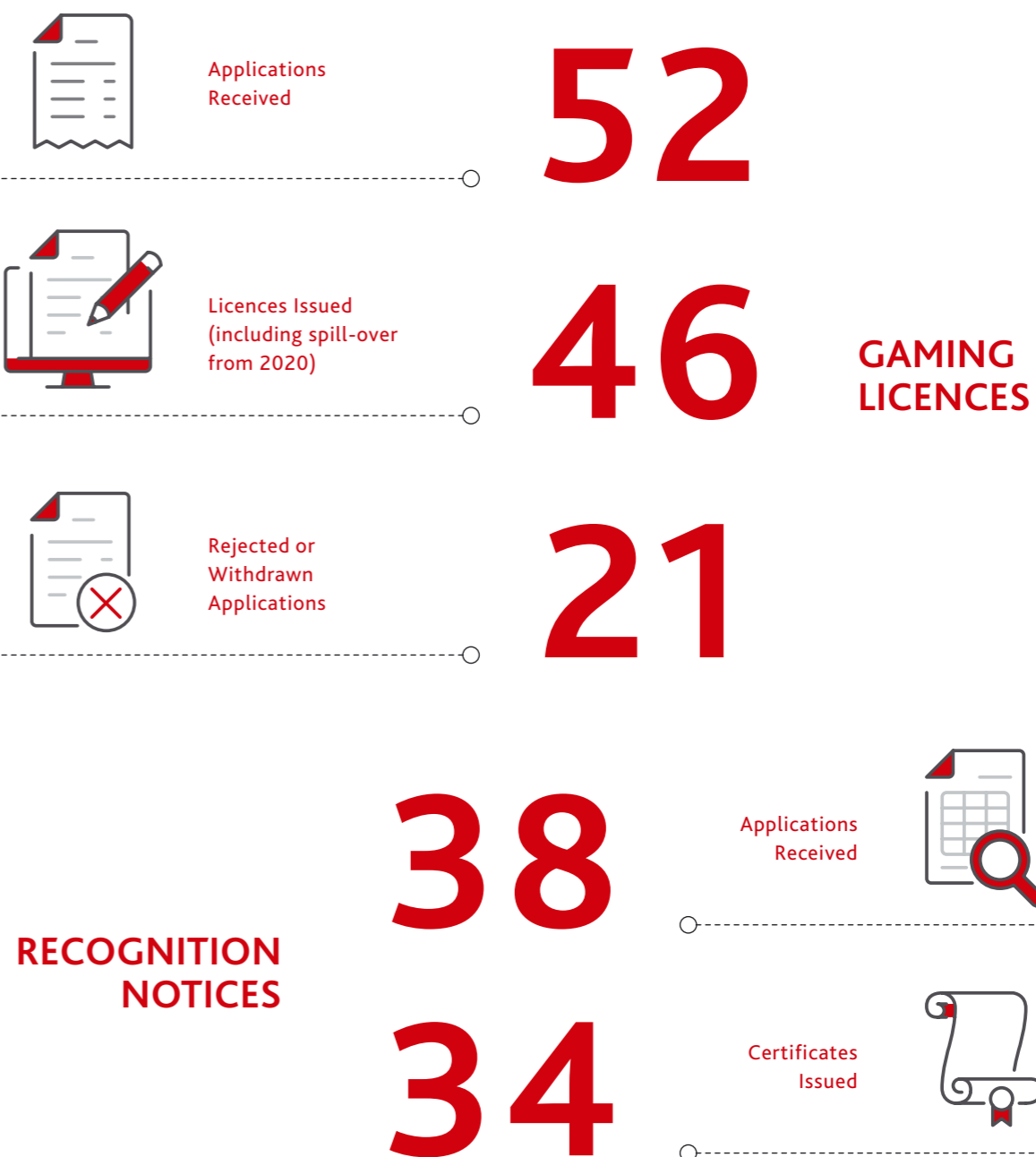


ENTRY LEVEL

OUR REGULATORY ACTIVITIES

Authorisation of Gaming Licences and Certificates

In 2021 we received a number of requests for authorisations, including gaming licences, recognition notices, and key functions certificates, as well as various other requests for changes pertaining to authorised licensees and personnel. Through such authorisations we ensure to regulate both entities that would like to operate in the regulated market by obtaining a gaming licence, as well as internationally licensed game providers. Moreover, this regulatory process also includes Maltese registered and established entities which do not hold a Maltese gaming licence, through the obtention of a recognition notice.



OUR ACHIEVEMENTS FOR 2021

Figure 1: Statistics on Gaming Licences & Recognition Notice Certificates Jan-Dec 2021

Review of the Gaming Licence Application Process

Since the reduction of unnecessary bureaucracy has been made a priority since the beginning of 2021, throughout the year various efforts were undertaken in pursuit of this objective. We started with the most laborious outward-facing process, and therefore we focused on assessing the gaming licence application process with the aim of identifying opportunities for optimising the process as much as possible.

Following a number of stakeholder workshops, including discussions with external consultants and licensees, a detailed analysis of issues identified in the process was carried out, resulting in a granular understanding of root causes. This is leading to an improved gaming licence application process, through which we are planning a number of revised internal procedures, as well as changes that are deemed necessary to the Licensee Relationship Management System (LRMS) and to the internal systems. This will enable us to become even more efficient and allow us to continue meeting our regulatory objectives.

The changes to the initial procedures were actioned in 2021, however the changes that will have the most significant impact mostly require technical development, and hence will be mainly launched in 2022. In addition to this project, we envisage that other types of processes will also be evaluated and re-engineered where possible, with the aim of making them more direct, user-friendly and efficient at achieving the regulatory aims which underpin them.

Launch of the Personal Portfolio

In November 2021, we launched the Personal Portfolio functionality in the LRMS whereby applicants such as key function holders, company directors and beneficial owners are able to apply and submit all the personal information directly. The launch of this functionality was combined with a review of the Personal Declaration Form to ensure the relevance of the information required. The aim of this exercise was to address calls by industry for greater confidentiality surrounding the personal information of the persons who are required to undergo the MGA's scrutiny.

Furthermore, a Request for Involvement Approval application was introduced and will be automatically created on the Company Portfolio's timeline. This function will be useful when the user links the involvement with an already licensed operator, thus ensuring a more streamlined and secure process.

A RISK-BASED APPROACH THROUGHOUT ALL REGULATED ACTIVITIES

During 2021, we continued to develop and improve the necessary tools, policies and procedures for the centralisation of risk-related measures within our internal structures and to solidify our risk-based approach towards the identification, analysis and mitigation of risks potentially impinging on our operations. We have enhanced our risk understanding via a number of tools that identify the risk pillars allowing us to effectively detect and manage different risk areas.

In order to achieve our objective, we are committed towards ensuring that we have the necessary tools as well as the required knowledge to collect, compile and analyse information with the aim of ensuring continuous risk management. To this end we are working towards updating our internal Risk Management Framework based on ISO31000:2018 as a good standard practice which enhances the concept of a risk-based approach. In 2021, part of our risk processes have already been updated mirroring such standard and the coming years will see the remaining processes follow suit.

The Sectoral Risk Assessment

In 2021, we carried out a sectoral risk assessment on money laundering and funding of terrorism (ML/TF) related risks affecting the land-based and online gaming sectors in Malta. A considerable amount of work has already been done in terms of the Risk Assessment Methodology adopted and in the risk rating process for risks identified in this study. This provides us with a greater insight into the ML/TF vulnerabilities and high-risk factors affecting the local gaming scene and how these can impact our functions. Such risks and mitigation measures will be discussed with industry representatives in 2022 with the aim of confirming the risks and mitigation measures that will eventually feed into the overall national risk assessment for the country which is being prepared by the National Coordinating Committee on Combating Money Laundering and Funding of Terrorism (NCC).

Fit & Proper Considerations

Prior to the issuance of any authorisation, a 'fit and properness' assessment of legal persons, and natural persons who either hold a qualifying shareholding, or are directors or the holders of key functions, is undertaken. Over 1,150 Criminal Probity Screening checks were undertaken during 2021 covering entities and individuals holding different roles from both the land-based and online gaming sectors. Additionally, ad-hoc targeted checks and ongoing monitoring verifications of individuals and entities were also carried out.

To strengthen the robustness of our onboarding processes, and to ensure a consistent approach to assessments, a number of applications of a more complex nature are discussed by the Fit and Proper Committee. In total, the Committee convened 28 times, during which a total of 72 decisions were taken. Out of these, five resulted in approvals of applications, while 13 led to the refusal of individuals and entities being assessed since they were not deemed fit and proper to hold the requested authorisation due to different factors, such as a higher risk of ML/TF.

Another 20 decisions referred to instances wherein the Committee felt that we, as 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 remaining 34 decisions related to procedural matters, which mainly referred to internal procedural decisions taken related to our Fit and Proper procedures.

5

Approved



13

Rejected



54

Referred for further Consideration/ procedural matters



72

Total Decisions Taken by the Fit & Proper Committee



Figure 2: Fit & Proper Committee Decisions Jan-Dec 2021

SUPERVISORY ACTIVITIES

Decisions taken by the Supervisory Council

In 2021, various matters were discussed at Council level, ranging from decisions with respect to internal policies that are to be adopted, to information requests from foreign authorities and Governments to general discussions about issues pertaining to licensed operators. Moreover, since June 2021 all licence applications require the approval of the Supervisory Council in order to be issued, ensuring transparency in our approval and rejection of licence applications, a consistent approach, and a multipronged review of our applicants and their control structures.

A total of 30 licence applications were brought to the attention of the Supervisory Council, of which 18 were approved, three (3) were rejected, and nine (9) were sent back to the relevant directorate for further clarification.

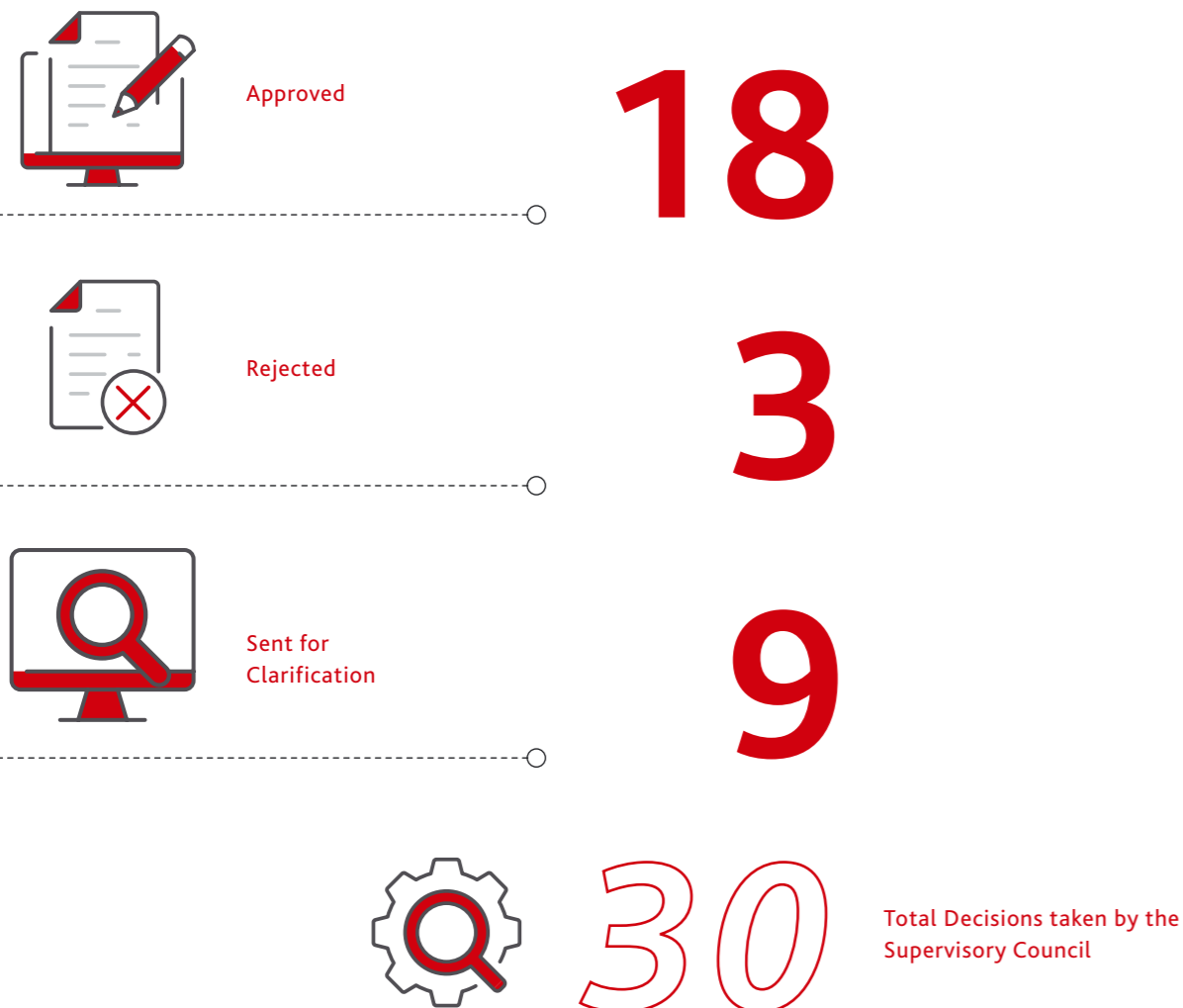


Figure 3: Supervisory Council Decisions Jan-Dec 2021

Ensuring Compliance across all Areas we Regulate

During 2021, we revisited our current compliance procedures and adopted new ones with the aim of enhancing effectiveness. We avail ourselves of the various types of reviews that we can conduct for prudential supervision, and we have invested in more advanced software tools which enable us to continue optimising compliance processes through audits and reviews. In 2021 we carried out 230 compliance reviews of our licensees, which were supplemented by an additional 54 on-site compliance audits. These reviews achieved a 65.5% coverage of the licensee population during 2021, coupled with anti-money laundering and countering the financing of terrorism (AML/CFT) examinations that are carried out by the Financial Intelligence Analysis Unit (FIAU), or the MGA on its behalf, which increase further coverage.

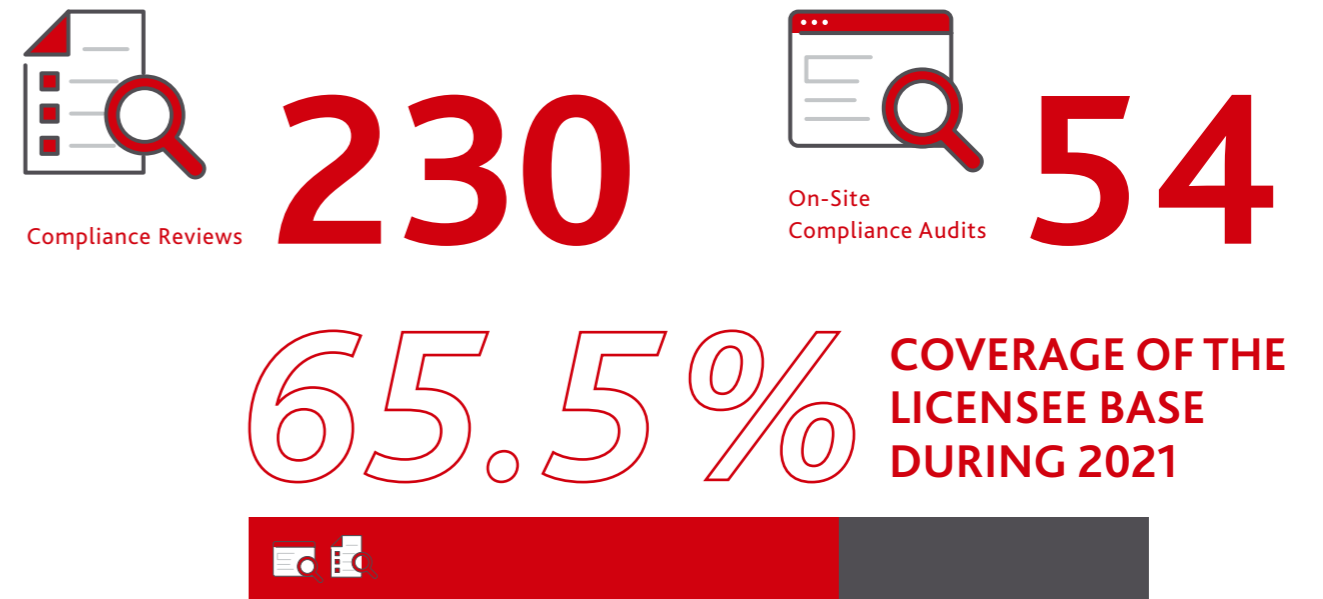


Figure 4: Number of Compliance Reviews and On-Site Compliance Audits Jan-Dec 2021

Moreover, a total of 1631 monthly B2B Reports were received. Such reports demonstrate the interrelationships between the respective B2B operator submitting the report and its B2C and B2B clients with the aim of obtaining further information regarding the interchange between different operators.



Figure 5: Number of B2B Reports Received Jan-Dec 2021

We have also adopted a proactive approach when it comes to identifying and taking immediate action vis-à-vis adverse media on licensees, associated entities and/or authorised persons, as well as on any changes to company information and/or licensees' URLs which are not communicated. Such actions result in non-compliance with the gaming licence conditions and legislative framework and, where appropriate, this feeds into our risk rating, as well as forms part of the licensee's ongoing compliance track record. Where required, internal escalation processes are triggered for enforcement measures to follow. Furthermore, we have improved the way in which non-compliance matters are notified to the relevant licensee, and how operators are directed to rectify their position.

Publishing of Audit 02/21 Gaming Tax Payable and Levy on Gaming Devices – Technical Note

In 2021, a technical release notice entitled “Audit 02/21 Gaming Tax Payable and Levy on Gaming Devices” was published in collaboration with the Malta Institute of Accountants. This lays down the agreed-upon procedures, to be followed by professionals supporting our licensees in meeting their relevant compliance and reporting obligations with regards to the gaming tax payable on revenue from clients classified as Maltese players, as well as Levy on gaming devices which fall under the Maltese licence, as per Article 41 (2)(b)(ii) of Directive 3 of 2018 Gaming Authorisations and Compliance Directive (“Gaming Authorisations and Compliance Directive 2018”). The implementation of these procedures is set for 2022, with the first round of such International Standard on Related Services (ISRS) 4400 reports to be submitted by 31 October 2022, for the financial year ending 31 December 2021.

Publication of the Technical Release Audit 02/21 - Player Funds and Jackpot Funds

During 2021, in collaboration with the Malta Institute of Accountants a technical release notice entitled “Audit 02/21 - Player Funds and Jackpot Funds” was published. This lays down the professional requirements and provides guidance on the agreed-upon procedures to be performed in accordance with the ISRS4400 by practitioners when engaged to report on the player funds, the jackpot funds, as well as the portion of player funds account balance falling under the licence issued by the MGA, in line with the requirements of the Gaming Authorisations and Compliance Directive 2018, as defined above.

AML/CFT Examinations and Interviews

Through the powers granted by the Prevention of Money Laundering and Funding of Terrorism act, (Chapter 373 of the Laws of Malta), the MGA acts as a supervisory authority on behalf of FIAU, and in 2021 we continued to monitor compliance of Subject Persons with AML/CFT obligations within the gaming sector, by undertaking a number of compliance examinations. Such examinations are carried out in accordance with the process and methodology used by the FIAU, in line with its established supervisory procedures. During 2021, the MGA conducted a total of 10 compliance examinations on remote gaming licensees.

Furthermore, a total of 91 interviews were held in order to assess the knowledge and suitability of applicants for the key AML/CFT function role, who also occupy the Money Laundering Reporting Officer (MLRO) role with gaming licensees. A total of 51 were approved, 28 were conditionally approved and 12 were rejected. Out of the 12 rejections, 5 resulted into the revocation of the key function certificate or approval.



Figure 6: Number of MLRO & Key AML/CFT Persons Interviews Jan-Dec 2021

Various internal processes were refined with the aim of revising the system documentation checklist and providing more guidance to the licensees specifically regarding the AML/CFT documentation requirements. Additionally, we continued to refine and update the procedure for the approvals of Key AML/CFT Functions, also with the introduction of an 'Eligibility Form', whereby prospective MLROs declare their eligibility to undertake the MLRO role and confirm that they satisfy all the legal requirements. This adds another layer of supervisory scrutiny, ensuring that key function roles are being occupied by those who are eligible and can satisfy all the legal requisites.

Our commitment for 2022 is to keep working collaboratively with the FIAU in order to continue meeting expectations with respect to the monitoring and supervision of our licensees' AML/CFT procedures and standards, including the continuation of AML/CFT supervisory examinations in line with the FIAU's supervisory plans.

Enforcement Measures pertaining to AML/CFT

In 2021, a total of 10 licensees were subject to enforcement measures by the FIAU based on the breaches identified during examinations carried out in previous years, including those by the MGA. These enforcement measures ranged from written reprimands to administrative penalties, amounting in total to just over €863,000. Where the licensees were required to follow a remediation plan to improve their performance going forward, the MGA followed up with its own regulatory supervision and enforcement tools to ensure adherence.

New Developments on Sports Integrity Reporting

Introduction of the Suspicious Betting Reporting Mechanism

As from the beginning of 2021, the Suspicious Betting Reporting Requirements were brought into effect, in line with the obligations laid out in Article 43 of the Gaming Authorisations and Compliance Directive 2018, which obliges Malta-licensed operators which offer sports betting to report any instance of suspicious betting to the MGA. As a result, we have developed a Suspicious Betting Reporting Mechanism (SBRM), a reporting instrument with the aim of facilitating suspicious betting reporting.

Sharing of Knowledge through an Alert Process

During the last quarter of 2021, we also adopted a new alerting process when it comes to sharing knowledge of suspicious events reported with the whole industry without revealing the source of the information. The aim of this reporting mechanism is to capitalise on the strong collaboration that is already present and increase the chances of detecting suspicious betting behaviour. To this end, during the last quarter of 2021, a total of 72 alerts were sent to the industry, which resulted in a total of 20 new suspicious betting reports received via the SBRM after such alerts were corresponded. Such processes allow us to better monitor the industry and further enhance our contribution towards the fight against the manipulation of sports.

Activity Reported on Sports Betting Integrity

A total of 131 requests for information specifically on sports activity were received from enforcement agencies, sport governing bodies, integrity units, and other regulatory bodies from across the globe. In certain instances, in order to furnish the necessary reply, we reached out to the industry to obtain the required information. As a result of such requests, there were 41 instances where data was exchanged with enforcement agencies and sport governing bodies.



Figure 7: Number of Requests for Information on Sports Activity and Data Exchange Instances Jan-Dec 2021

Furthermore, a total of 329 suspicious betting reports were received from licensees which were referred to the relevant body, while a further 194 reports were received regarding potentially suspicious accounts. Such reports have led us to participate in a total of 49 investigations wherein data was exchanged between a licensed operator and an entity investigating an incident related to the manipulation of sports competitions. Out of such investigations, we played a direct part in 20 investigations by facilitating the sharing of betting data, while in the remaining 29 investigations we had an indirect role and provided assistance via ancillary means.



Figure 8: Number of Suspicious Betting Reports and Participation in Investigations Jan-Dec 2021

Supervising the Land-based Sector

The Gaming Act provides for the regulation of any gaming activity which is conducted in Malta. To this end we regulate both local gaming establishments as well as gaming activity organised by non-profit organisations, and commercial communication games.

In terms of local gaming establishments, we supervise licensed casinos on an ongoing basis. During 2021, a total of 5,901 visits were conducted. Additionally, we carry out inspections in land-based gaming premises namely, bingo halls, lotto booths and gaming parlours. Furthermore, we also oversee draws by the National Lottery licensee. Through our ongoing monitoring of this sector, we ensure that all licensed gaming activities are being offered in line with the relevant laws and regulations, as well as all the games offered are fair.

Number of Inspections	2019	2020	2021
Gaming Parlours	3,382	2,400	2,215
Lotto Booths	788	907	1,537
Commercial Bingo	506	182	92
Non-profit Tombola	454	62	64

Table 1: Number of Inspections in Land-based Gaming Premises Jan-Dec 2021

The temporary closure of gaming premises during 2020 and 2021 resulted in a drop in the number of inspections we carried out in casinos, gaming parlours, commercial bingo halls and non-profit events. During the months in question, our efforts were invested in collaborating with the various gaming establishments. These sought to upgrade the gaming devices, the count for table games and the re-sealing of all pertinent gaming equipment in order to ensure that they were deemed fit and proper to welcome the general public following the lifting of restrictions in June 2021.

During 2021, the land-based market saw the issuance of a concession to open and operate a casino in Malta. Further to an open call for proposals, issued by the Privatisation Unit on behalf of the Government of Malta, and following a thorough review of the submitted information, Dragonara Gaming Limited was awarded a 10-year licence by the Authority.

In addition, the same Unit issued an open call for proposals for a Concession for the Rights of the National Lottery of Malta 2022, which saw its award in early 2022. We are currently working closely with the successful bidder, National Lottery plc, to ensure that it is adhering to all rules and regulations, in order to be eventually awarded a 10-year licence by the third quarter of 2022.

ENFORCEMENT ACTIONS AND LEGAL UPDATES

Enforcement is crucial for the Authority; it helps us fulfil our mandate as a regulator. It is not only a necessary tool in our arsenal to achieve the mandate set out by law, but also essential as a measure of fairness towards licensees that are compliant. We ensure that our enforcement processes and procedures are streamlined and effective, with adequate room for adaptation wherever necessary. Our enforcement objectives include the timely remediation and rectification of administrative breaches of relevant provisions committed by the licensees as well as the investigation and prosecution of criminal offences which fall within our remit, including but not limited to, the operation or facilitation of unauthorised gambling activities carried out within, or from, the Maltese jurisdiction.

In 2021, we revised our internal procedures concerning the preparation of breach reports to be raised before the Compliance and Enforcement Committee ('CEC'). Essentially, the Compliance and Enforcement Directorates have increased internal collaboration in providing all the necessary detail of the case at hand when the matter is raised to the CEC, including the applicable aggravating and mitigating measures, as well as the financial position of the person in question, as laid out in the MGA's published Guiding Principles for the Application of Enforcement Measures. This has served to facilitate the CEC's decision-making process towards the selection and application of appropriate enforcement measures taken in terms of breaches of the gaming framework on a case-by-case basis, while ensuring that any enforcement measure meted out is in line with the Authority's regulatory objectives.

THE COMPLIANCE AND ENFORCEMENT COMMITTEE

In 2021, a total of 210 cases were discussed by the CEC. The latter's decisions in such cases relate to the evaluation of enforcement recommendations with respect to the non-compliance breaches. The enforcement measures which can be taken at law vary from orders, warnings, administrative penalties, suspensions, cancellations as well as the adding, removing, or amending of conditions attached to an authorisation held by the relevant Authorised Person.

In the case of breaches which are an offence against the Act, the Committee also deliberated whether to proceed by offering a regulatory settlement or issuing a letter to prosecute, sanctioning the Executive Police in terms of Art. 24 (2) of the Gaming Act (Chapter 583 of the Laws of Malta) to initiate criminal proceedings. The Committee also decided on recommended changes to its own policies and procedures to ensure that the Committee continues to improve its efficacy.

Furthermore, several changes have been made to improve the way breaches relating to monthly, bi-annual, or annual reporting requirements are raised to and subsequently enforced by the Enforcement function with the Authority. The improvements made have improved the inter-departmental communication through which the underlying breaches are raised. Apart from this, the nature of the enforcement measures issued, as well as the considerations made before and during the enforcement process, including the way in which any submissions or justifications filed by the person in question are examined, have also been slightly modified. All these changes have been introduced with the intention of ensuring that any enforcement measures issued by the Authority are proportionate and reasonable, and the affected persons and companies have sufficient time and opportunity to make representations. We endeavour to better our processes in line with our regulatory objectives and strive to direct our enforcement efforts at promoting regularisation and future compliance.

Enforcement Actions Taken

We issued three (3) regulatory settlements, in relation to the provision of unlicensed gaming activities in breach of the Gaming Act. The collective total financial penalty imposed amounted to €176,016.

Number of Enforcement Actions	2019	2020	2021
No. of warnings	20	70	64
No. of administrative penalties	24	28	31
No. of suspended licences	11	3	0
No. of cancelled licences	14	12	7

Table 2: Number of Enforcement Actions Jan-Dec 2021

Legal Updates

Given the continuous evolution of the gaming market, it is important that the relative legislative instruments governing the gaming industry are kept up to date and provide for these developments.

On 25 May 2021, the MGA published amendments to the 'Guidance on the use of Innovative Technology Arrangements and the acceptance of Virtual Financial Assets (VFAs) and Virtual Tokens through the implementation of a Sandbox Environment'. The amendments mainly consist of:

- > extension of the sandbox framework to 31 December 2022 (section 1.1);
- > changes to the documentation that needs to be submitted by applicants further to the approval to participate in the sandbox framework (section 2.1);
- > changes to the criteria pertaining to VFAs (section 2.1.1);
- > guidance relating to the applicability of the sandbox framework (section 2.1.3); and
- > clarification relating to additional safeguards that may be imposed by the MGA in order to grant an approval to participate in the sandbox framework (section 2.1.4).

On 28 May 2021, the MGA published amendments to Article 22 of the Player Protection Directive (Directive 2 of 2018) in order to streamline the minimum Return to Player (RTP) percentage applicable to licensees across all sectors.

On 20 October 2021, the MGA published a series of amendments to the Gaming Authorisations and Compliance Directive (Directive 3 of 2018). One amendment related to the extension of the applicability of suspicious betting reporting requirements to B2B licensees, which more often than not, hold data which is vital for such investigations. Broader amendments were carried out to the key functions, merging a number of them and streamlining the requirements in an effort to reduce the burden on licensees created by the existence of a previously excessive number of separate functions, whilst at the same time ensuring sufficient separation in roles that may hold conflicting interests. Concurrently, we introduced the Key Function Eligibility Criteria Policy, outlining the requirements persons holding the various key functions are expected to fulfil in order to satisfactorily perform these duties which are vital for the applicable regulatory outcomes.

On 20 December 2021, the MGA issued The Non-Profit Games during Political Events Ruling (Directive 1 of 2021) which delineates an exemption from certain approval requirements that is limited in application to non-profit games organised by candidates contesting certain prescribed elections within the six (6) months immediately preceding such events. In 2022, we plan on issuing a set of amendments to the Player Protection Directive (Directive 2 of 2018) based on findings derived from an external study and critical analysis. The amended Player Protection Directive is projected to come into effect in 2022.

Additionally, we are working towards amending the Gaming Commercial Communication Regulations (S.L. 583.09) and the Commercial Communications Committee Guidelines in order to further reinforce the rules pertaining to gaming advertising by our authorised persons, or any person on their behalf. This project is also envisaged to be completed in 2022. Such projects constitute a strong indication of our continued focus and commitment towards player protection.

BETTER PLAYER PROTECTION AND RESPONSIBLE GAMBLING

The protection of consumers, especially minors and vulnerable persons, is one of our primary regulatory objectives. To this end, we ascertain that our licensees offer a fair and secure gaming environment and have the necessary safeguards in place for players to gamble safely and responsibly, while providing the necessary protection to minors and vulnerable persons.

We offer support to players that reach out to us for assistance and ensure that our licensees are operating within the legislative framework.



Figure 9: Number of Requests for Assistance Received and Resolved Jan-Dec 2021

In an effort to detect suspicious and illegal gaming activities, we employ various intelligence tools to identify websites fraudulently claiming to be licensed by the MGA. Throughout 2021, we investigated 79 cases of websites having misleading references to the Authority and published a total of 61 notices on our website with the aim to prevent the public from falling victim to such scams.

Protecting Player Funds

Monitoring the financial stability of licensed operators is of paramount importance to us as this has an impact on the protection of player funds. Following the review of the financial statements submitted by licensed operators, any high-risk licensees identified are scrutinised further to ensure ongoing availability of funding. In doing so, the economic rationale and origin of funds are verified to ensure that the industry is not utilised as a vehicle for ML or FT.

Launch of the Player Fund Reports Audits

According to Article 38 of the Player Protection Directive licensees are obliged to have sufficient funds in order to cover the total player and jackpot funds, as well as ensure that at least 90% of the funds required to cover player and jackpot funds are composed of funds held at EU/EEA-licensed credit, financial, or payment institutions.

During 2021, we started carrying out audits related specifically to the player and jackpot funds held by licensees as well as the accounts held with credit/financial/payment institutions to cover such liabilities. As part of these audits, raw granular data, which appears in aggregate within monthly Player Funds Reports (PFRs), is extracted and reconciled with the aggregate figures reported to us on a monthly basis. Through these audits, we verify that the player and jackpot funds coverage requirement is met consistently and not merely at the reporting date of the respective PFR. Thus in 2021 we introduced monthly monitoring of adherence to these requirements.

Consequently, the outcome of these reviews will provide, on an ongoing basis, a fuller understanding of the systems and controls held by licensees to generate reports on player funds and monitor their daily movements. It is envisaged that such insights shall provide a more extensive comprehension of a licensee's operations and shall potentially reveal instances of non-compliance which may have not been easily identifiable through the review of submitted monthly PFRs. This will allow us to act early in such an eventuality to safeguard player funds as best we can.

Player Funds Reports



Figure 10: Number of PFR Reports Received Jan-Dec 2021

The PFRs are submitted by all B2C licensees as well as B2B licensees which manage pooled jackpots. Through these submissions, we ascertain that sufficient funds are held by the respective licensee to cover total player and jackpot funds. During the year, any licensees reporting shortfalls are consequently requested to rectify their financial position forthwith in accordance with Article 38 of the Player Protection Directive.

Responsible Gaming Checks and Reviews

In order to measure the licensees' compliance with the specific requirements emanating from the Player Protection Directive, we undertake responsible gaming website checks. Each examination focuses on specific licensee-player relationships and the responsible gaming-related functionalities that are accessible on the B2C operator's website. These comprise 26 checks which seek to ensure that responsible gaming functionalities, including limits, exclusions and reality checks, are accessible on the B2C website and functioning in line with requirements of the Player Protection Directive.



Figure 11: Number of Responsible Gaming Website Checks Jan-Dec 2021

In 2022, we intend to increase the number of website functionality examinations on licensees' approved URLs conducted on a monthly basis. Additionally, in an effort to appropriately address the importance of player protection as one of our prime regulatory objectives, we are also working towards commencing responsible gaming reviews, which may be both desktop-based as well as on-site. We acknowledge that several of our licensees have invested significant time, energy and resources in ensuring their players are as protected as possible, in an effort to ensure that their clients gamble sustainably. We applaud such efforts and intend to start with a number of familiarisation visits with such operators who are at the forefront in this matter.

The outcomes of these familiarisation visits will also feed into the updates that are necessary from time to time to our legal requirements, as well as how we conduct our audits. Moreover, our commitment towards transparency means that we will also use these learning experiences as a basis for issuing guidance on how we expect the legal requirements surrounding the protection of vulnerable players, in particular, to be interpreted and applied by our licensees.

COMMERCIAL COMMUNICATIONS

The Commercial Communication Committee evaluates all gaming commercial communications that are brought to its attention, whether externally or via internal escalation mechanisms, to determine whether they are in compliance with the provisions set out in the Gaming Commercial Communications Regulations (S.L. 583.09). The Committee also publishes anonymised decisions as a manner in which to continue guiding licensees on how to be compliant, on an ongoing basis.

During the year under review, the Commercial Communications Committee convened 29 times with a total of 21 decisions taken in regard to possible breaches of the Commercial Communications Regulations, of which 13 were found to be in breach. The Commercial Communications Committee found Authorised Persons to be in breach of, including but not limited to, unsolicited commercial communications, commercial communications which do not clearly display the requested information, and did not include educational responsible gaming messaging. Furthermore, some commercial communications were presented in a manner that the web-portal address of any entity devoted to responsible gaming was not clearly legible; some commercial communications were also not indicating prominently the minimum age to participate in the game being promoted.

The Committee communicated with third parties to notify them about breaches and advise them to rectify in order to be compliant with the law and, where required, forwarded the cases on to the Compliance and Enforcement Committee for enforcement measures to ensue.



EU AND INTERNATIONAL DEVELOPMENTS

In its function as advisor to the Government of Malta, the MGA has closely followed legislative proposals and developments at EU and international levels with the aim of ensuring that any matters which may affect the gaming industry, directly or indirectly, are identified and further monitored.

As the development of national regulations in Europe gains momentum, we monitor such country-by-country developments in view of the various restrictions being proposed which may not always be legitimate, justifiable and compliant with EU law. In terms of 'Directive (EU) 2015/1535 of the European Parliament and of the Council of 9 September 2015 laying down a procedure for the provision of information in the field of technical regulations and of rules on Information Society services (codification)', EU and EEA member states are obliged, to notify the European Commission of any draft technical regulations, while also submit a statement of grounds to further detail the intention and reasoning behind the proposed regulations. In this aspect, we are committed to challenge laws which go against the fundamental freedoms of the internal market, with the main objective being to protect the online gaming industry from the potentially harmful measures being proposed and, in some cases, implemented by other member states throughout the EU. In 2021, Malta issued one detailed opinion in response to a notification made by Finland in view of the proposed amendments to the country's gambling law.

Thus, we continued to provide advice, where necessary, to the various entities of the Government of Malta in formulating a national position when it came to a number of other EU initiatives that may have an impact on the gambling and digital sectors. To this effect, we sought to monitor and make contributions to the negotiations related to the Digital Service Act (DSA). Together with the gaming industry we stand behind the DSA proposal intended to provide member states with the tools needed to facilitate the swift removal of illegal content online. The overarching scope is highly beneficial to the digital market and protection of consumers; however, no exclusion for gambling exists, as it did in its predecessor, the E-Commerce Directive, and therefore gaming services may be caught up within the remit of the DSA. It has been a priority for us to keep abreast of the discussions related to the draft text and the amendments to determine any potential effects or impact on the industry and provide the necessary feedback. Following the General Approach reached by the Council towards the end of 2021 regarding the DSA text, we shall continue to monitor any further developments that may emerge during the trialogues, between the Council, Commission and Parliament.

Concurrently, we have monitored the negotiations that took place in Council throughout the year regarding the proposed Artificial Intelligence Act. In this regard, we cooperated with the national authorities to assess the impact of the legislative proposal on Malta's tech and gambling industries. We shall continue to monitor and assess developments related to this dossier.

We persisted in advocating Malta's stance with respect to the Council of Europe's Macolin Convention, which aims to combat the manipulation of sports through illegal betting. In principle, Malta is in agreement with the general principles established therein, as evidenced by its commitment to the fight against the manipulation of sports competitions with a view to protecting the integrity of sport and sport ethics. Malta's concerns in relation to the Convention stem from the fact that there is no accepted definition of what constitutes 'illegal gambling', or 'illegal sports betting' within EU or international law, these have not been mitigated despite Malta's willingness to find new and mutually acceptable solutions to resolve the deadlock in order for the Maltese Government to be in a position to officially sign the Macolin Convention. The current interpretation of illegal sports betting would hinder MGA-licensed operators, which operate in a legitimate manner, from being able to extend or maintain operations in other EU Member States. We believe that these limitations to the freedom to provide services in another EU Member State to be detrimental to the offering of legitimate legal services throughout the EU, and are also entirely unrelated to the scope of the Macolin Convention.

We followed closely the developments related to the workstreams conducted by the members of the Organisation for Economic Co-operation and Development/G20 Inclusive Framework who concentrated on the Two-Pillar Approach to address the tax challenges of the digital economy and its impact on the gaming sector in Malta. The Pillar I focuses on the partial re-allocation of taxing rights whilst Pillar II concentrates on the minimum level of taxation of profits of multinational enterprises. In October 2021, 137 countries and jurisdictions representing more than 90% of global GDP joined the Statement establishing a framework for an international tax reform. In December 2021, the European Commission proposed a Directive, related to the Pillar II of the global agreement, that sets out how the principles of the minimum (15%) effective tax rate will be applied in practice within the EU so that it is properly and consistently applied across the member states. The Maltese government has agreed on the global minimum corporate tax pact but has flagged certain reservations when it comes to the €750 million profit threshold as well as excluded sectors. Moreover, within the limitations and the spirit of the global pact, the MGA and the Government are committed to ensuring that Malta remains a very competitive place of establishment for the industry.

COLLABORATION

Over the years, we have worked towards establishing relations and ongoing interactions with the relevant local and international stakeholders with an aim of exchanging ideas and best practices in regulating the gaming sector as well as entering into several data sharing agreements. Such agreements facilitate the data sharing process and hence help the Authority to further mitigate the risk posed by sports corruption in Malta's gaming industry.

International Cooperation

We are firm believers that the sharing of best practices and learning from each other's experiences are of benefit to the regulation of the gaming sector. To this effect, we ensure an ongoing dialogue with our counterparts, and address cooperation requests, including those forming part of the Cooperation Agreement between the gambling regulatory authorities of the EEA Member States concerning online gambling services. We cooperate with other gambling regulators, both in the EU and outside of the EU, by sharing information with the intent of protecting consumers, minors and to safeguard the integrity of the game.

During 2021, we received a total of 89 cooperation requests from various countries, out of which 65.2% were received from non-EU countries. In addition, a total of 75 cooperation requests were sent out to various countries, 60% of which being sent to EU countries.

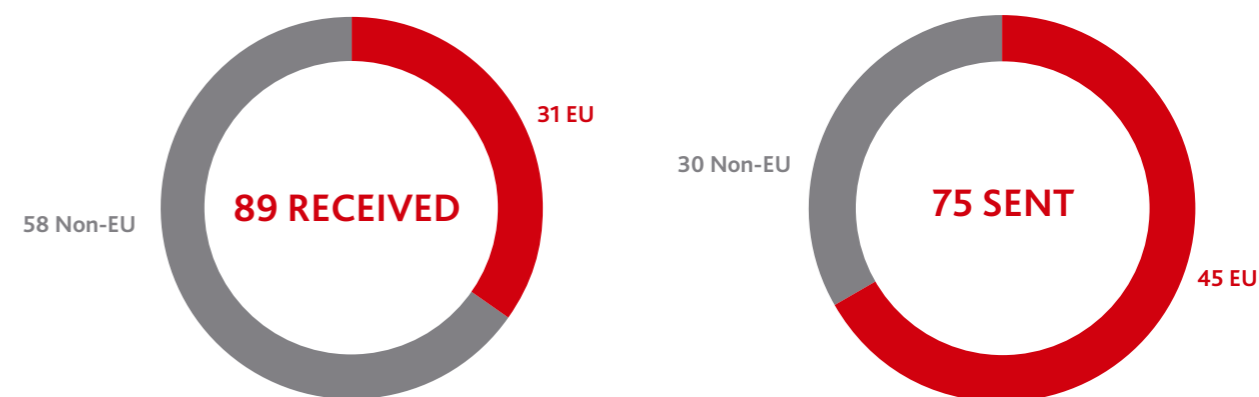


Figure 12: Number of International Cooperation Requests Jan-Dec 2021

In addition, we receive and action several requests from its counterparts to share information on various areas.

Incoming requests	2019	2020	2021
Generic Request for Cooperation	16	21	15
Information about the local regime	4	4	6
Request for information about unlicensed person/entity or cancelled licences	5	1	3
Request for background checks as part of an authorisation process	28	35	55
Regulatory assistance on a locally licensed operator	2	1	1
Informing other regulators of illegalities including criminal activity by player	0	4	3
Sports Integrity*	3	1	6
Total	58	67	89

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

Table 3: Number of International Cooperation Requests Received Jan-Dec 2021

Outgoing Requests	2019	2020	2021
Generic Request for Cooperation	0	0	8
Information about the local regime	1	0	0
Request for information about unlicensed person/entity or cancelled licences including adverse media reports	0	0	5
Request for background checks as part of an authorisation process	50	43	61
Regulatory assistance on a locally licensed operator	5	2	1
Informing other regulators of illegalities	13	2	0
Sports Integrity*	0	0	0
Total	69	47	75

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

Table 4: Number of International Cooperation Requests Sent Jan-Dec 2021

Furthermore, we continue to develop and maintain relations with our European counterparts through Gaming Regulators European Forum (GREF) and their working groups. We have a representation on GREF's Board of Directors and ensure that at least one MGA representative attends the working groups organised by GREF. We are also a member of the International Association of Gaming Regulators (IAGR), a forum in which gaming regulators from around the world can exchange views and discuss policy issues among themselves and with representatives of the international gaming industry.

We also collaborate with other authorities when asked to provide feedback on the regulatory good standing of our licensed operators. In such circumstances, we share any relevant information and adverse remarks, if any, with regards to licensees and/or associated persons.



Figure 13: Number of Letter of Good Standing Issued Jan-Dec 2021

International Affairs Strategy

In line with its three-year Corporate Strategic Plan, in 2021, the Authority embarked on a journey to document its International Affairs Strategy as one of the measures aimed at enhancing Malta's international credibility, fostering collaborative relationships with targeted stakeholders and mitigating the risks that the gaming industry in Malta is facing. This Strategy articulates the general direction for the Authority in relation to international affairs and serves as a baseline to monitor progress whilst allowing us to be more strategically proactive and to be on the forefront of international developments. The following are the key strategic objectives that have been identified for the period 2022-2024:

- > strengthening of the EU and international relations;
- > building strategic relationships with non-European counterparts; and
- > improving Malta's competitive position.

For each objective, the Authority defined a set of initiatives that will be implemented in 2022 whilst others will be phased in over the coming years.

Collaboration with Local Entities

Through a joint collaboration with the FIAU and the MFSA, a document was published during 2021 providing an overview of the key findings on the review of various Business Risk Assessments (BRAs) carried out by subject persons as per their obligations under the Prevention of Money Laundering and Funding of Terrorism Regulations (PMLFTR) and the FIAU's Implementing Procedures. This provides insights into common trends and shortcomings in relation to the obligation to carry out a BRA, thus assisting subject persons to identify areas within the BRA that can be improved for the purpose of better understanding and mitigating their ML/FT exposure.

We have also worked closely with the FIAU to devise an internal enforcement policy to set out the types of actions that will be taken by the MGA when an operator receives enforcement measures by the FIAU after an examination would have been carried out, which measures would be based upon AML/CFT breaches found. The aim is to ensure that gaming operators adhere to AML/CFT requirements, thus strengthening the FIAU's enforcement action.

In 2021, we also collaborated with the Asset Recovery Bureau as well as the Malta Police Force by providing pertinent information to any requests made about the gaming sector. In addition, we provided relevant information to the Sanctions Monitoring Board to assist in issuing sanctions on legal and natural persons. As previously mentioned we have also worked closely with the National Coordinating Committee taskforce for the purpose of establishing the National Risk Assessment.

Requests for Information	
Asset Recovery Bureau	89
Malta Police Force	67
Sanctions Monitoring Board	1

Table 5: Number of Requests for Information Jan-Dec 2021

In June 2021, the MGA and the University of Malta signed a sponsorship agreement, through which the Department of Economics organised a series of lectures on Game Theory, providing students with added knowledge and understanding of strategic interactions among people within and between organisations. Further to the sponsorship of these lectures, the two entities have both committed themselves to further collaboration for the benefit of local students and the gaming industry. Such collaboration contributes towards our efforts to ensure that training courses are aligned with the industry's needs.

We organised a two-day workshop in collaboration with Bank of Valletta where we outlined the control mechanisms as a Regulator on various aspects such as Legal matters, Licence Authorisations, Anti-Money Laundering supervision, Player Protection, Sports Betting Integrity, and Prudential Compliance. Such a workshop provided the Bank with increased insight into the industry and the MGA's oversight thereon, to support its interaction with the industry.

Enhancing our Communication Channels

We aim to continue maintaining and enhancing all our current communication channels in order to have a stronger digital presence as an organisation and ensure that our message is distributed through the proper channels and is reaching its intended audience. With over 12,000 followers on social media platforms, all with high engagement rates, it is important for us to ensure that our message gets through to the general public as well as to the industry.

During 2021, we were able to return to a number of in-person events, in particular at SIGMA Europe in November 2021. Set over a total of three days, we were not only physically present on a stand, but took a more active approach, by participating in a number of different panel discussions relating to the industry.

We were also invited to a number of panel discussions, where the employees from various functions were chosen to represent the MGA, covering key areas such as player protection, AML/CFT and sports integrity. A total of 13 webinars were co-ordinated.

POLICY DEVELOPMENTS

In 2021, we revisited our policy development process to reflect the best practices required to develop progressive policy recommendations in addressing regulatory issues. We strive to ensure that any policy recommendations are evidence-based, well-researched and have been consulted across all stakeholders' groups, including not only those who will be directly affected by policy but also those who are involved in ensuring its correct application. To this end we carry out horizon scanning on regulatory affairs and listen to the industry feedback that assists with identifying key areas which would need development or updating.

Initiative on Betting on Sports Events of Amateur and Youth Leagues

We have initiated an assessment on the betting on sports events of Amateur and Youth leagues, as well as esports, so as to identify and combat potential issues related to the manipulation of sports and sports competitions, protection of players, and any other challenges emanating from such gaming activities. A survey was carried out in March 2021 amongst B2C licensees in possession of an approval to offer games classified under Type 2, as per the Gaming Authorisations Regulations (S.L. 583.05). This provided an estimate of the market size of the offering of bets on amateur and youth leagues and esports. We continued building our knowledge on the subject and evaluating our current position by consulting with gaming associations, licensees and other stakeholders. Our plans are to conduct further research into the area.

Policy Paper on Amending the Return to Player Minimum Percentage

Prior to the issuance of the amendments to Article 22 of the Player Protection Directive (Directive 2 of 2018), extensive research and consultation was carried out with the aim of assessing the viability of the lowering of the minimum RTP percentage for online operators from 92% to 85%, in line with the requirements applicable to the land-based sector.

Following extensive research and analysis of the feedback received during the consultation process, it was decided to align the existent difference between the requirements that were applicable to land-based gaming operators and online gaming operators, and therefore establish consistency between both sectors at an RTP of 85%.

In conjunction with the amendments to the directive, we published a policy paper on 'Amending the Return to Player Minimum Percentage' which outlined the feedback received by way of consultation, and any other findings following research conducted on the subject matter.

Revised Audit Service Provider Guidelines

A public consultation on the Applicability of the System and Compliance Audit Service Provider Guidelines to Financial Audit was issued with the aim of communicating and refining the proposal being put forward in relation to revised Guidelines and promote a greater understanding of the proposal itself. Following the closure of the consultation, the responses received during the process will be analysed in order to develop the final Guidelines in line with the evidence brought forward.

Policy on the Eligibility and Ongoing Competency Criteria for Key Persons

Together with a series of amendments to the Gaming Authorisations and Compliance Directive (Directive 3 of 2018), we published a Policy on the Eligibility and Ongoing Competency Criteria for Key Persons. This Policy was intended to revise and collate the existing eligibility criteria while also introducing authorisation renewal requirements related to continuous professional development for existing key persons, as well as clarify the MGA's position regarding the compatibility of key function roles with each other in light of the amendments to the aforementioned Directive, as has been referred to already in this report.

OPERATIONAL SUPPORT FUNCTIONS

The efficiency and effectiveness of operational support functions are key to the success of our organisation.

Creation of a Due Diligence Research Function

During the third quarter of 2021, we set up a dedicated function which conducts research on due diligence topics which are of concern to us and outlines the way forward on various aspects, with particular emphasis on due diligence issues. Through such a set-up we have the dedicated allocated resources that analyse current processes, conduct in-depth research, present findings, and put forward recommendations.

A list of research topics has been compiled in order to ensure that we remain ahead of the curve when it comes to abiding by national and international standards and laws in respect of due diligence obligations, whilst at the same time ensuring that we remain effective and efficient in our regulatory role.

Investing and supporting our People

Our employees are at the heart of the organisation, as we can only achieve our core objectives if our people feel that they are valued, engaged and motivated enough to continue to flourish further. We are committed to ensure that our employees continue to work in a positive environment while fostering a high performing culture.

In 2021, we have started to revamp our Performance Management Framework so as to adopt the latest industry practices while facilitating an approach that supports our pre-set performance levels. The revamped performance management framework contemplates increased alignment between our organisational strategic objectives with teams' objectives as well as providing regular open two-way feedback to help employees develop the required skills and competencies.

We continued to invest in our employees through several training programmes that were organised with the aim of enhancing employees' technical knowledge and personal development. We have also conducted a Training Needs Analysis (TNA) across the organisation with the aim of identifying the skills and knowledge gaps that need to be addressed. This was further connected with the Competency Framework, to ensure that the skills and traits that are developed are central to the employees' role within the organisation. The Competency Framework is a tool that was introduced in 2021 where every role within the Authority is mapped with a set of skills, abilities and behaviours that are expected to be exhibited and the levels of performance required to achieve the Authorities' strategy. This exercise is also mapped according to the employee's level of seniority, commensurate with the expected deliverables at all levels, as we continuously pursue improvement in how we function.

We have kickstarted a comprehensive leadership programme for our management team, which intends to provide a holistic set of skills that could help in our day-to-day management of the various teams. This programme started with the delivery of the Mental Health First Aid (MHFA) module, so as to safeguard the psychological well-being of employees and provide the right tools to adequately detect and support any mental health issues among staff members. A full list of training courses, conferences, and events held during 2021 can be found in Appendix 1.

Furthermore, recruitment remains one of the key priorities of the MGA as we keep renewing ourselves to face the ever-growing challenges of the gaming industry. Throughout the year, we have successfully recruited a number of employees across different functions within our organisation, ensuring that new talent will increase the diversity within our workforce as well as provide the necessary expertise to the organisation in its entirety.

We have also strengthened relationships with various student organisations at the University of Malta with the aim of identifying talent early on while contributing through knowledge sharing within different faculties.

Improvements within our Financial Operations processes

During 2021, we persisted in our efforts to close the gaps that were identified in our procurement processes to ensure that both the efficiency and effectiveness of the procurement function can be rolled out to the different stakeholders. We felt the need to offer specific in-house procurement training in order to raise the level of awareness about the procurement regulations and the importance of and adherence to it. As a result, a 20% reduction in procurement issues were noted wherein

there were no further non-compliant purchases noted in 2021. In addition, to further reinforce the procurement procedures, a Procurement Plan List was introduced with the aim of identifying prioritisation of work as well as streamline approvals by management, thus ensuring that necessary authorisations are obtained efficiently.

We have also reviewed our accounting processes which led to the identification and resolution of efficiency related bottlenecks, which includes reducing the number of man-hours in processing journal entries through the adoption of the batch upload system in our accounting system. This also improves traceability of invoicing to different cost centres which aided our reporting obligations to management.

Establishment of a Business Transformation Function

The Business Transformation function, which was created in 2021, aims at facilitating cross-departmental collaboration on operational matters and processes, and at providing support to streamline the processes across the whole organisation, while striving to continuously improve its effectiveness and efficiency of its regulatory, compliance and other internal processes.

In order to achieve our objectives, we review and analyse issues identified in a particular process, help understand the correlation between issues, and identify the causes that were at the root of such issues, which in turn identify opportunities for improving that process and making recommendations on how changes to the process shall be implemented. This is in line with the set priority of eliminating unnecessary bureaucracy that does not provide regulatory value.

Furthermore, through our Regulatory Systems arm we ensure that any necessary enhancements to technical systems are properly prioritised and coordinated. We have the right structure in place to ensure that all possible scenarios are explored when documenting business requirements and defining technical solutions to meet those requirements, and that other employees who will be affected by the planned changes are properly consulted.

A strong degree of collaboration was necessary for the development of the technical system enhancements pertaining to the review of the Gaming Licence Application process, which started being implemented towards the end of 2021 and will continue to be implemented and improved in 2022. Furthermore, 56 other requests for technical system enhancements, from employees across various teams, were processed.

Quality Management is another facet of the Business Transformation function since we strongly believe that our outputs, across the entire organisation, should reflect the high-quality culture which we embrace. In particular, we ensure that documents and e-forms to be made available on our website and that LRMS are of the appropriate quality.



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Quality Control Reviews

Figure 14: Number of Quality Control Reviews Jan-Dec 2021

The Quality Control reviews that have been carried out included reviews of documents for external publishing, ad hoc checks of the website and LRMS, the issuing and updating for templates, testing of MGA's systems and the processing of other related requests.

Data-Driven Organisation

As part of our day-to-day operations, we collect and analyse data concerning online and land-based gaming activities regulated through the Malta licence and have built the necessary insights to monitor the industry as well as ensure that decisions are based on performance indicators. These insights, while providing an overview of the performance of the market, also shape our decision-making processes and serve as a market indicator for any gaming companies that consider relocating or expanding their business operations in Malta.

With the aim of enhancing further a data-driven culture across all the various functions of the organisation and enhance our data collection processes, in 2021 we devised a Data Strategy which will see its implementation during 2022. Such an exercise has assessed current data state and organisational data needs as well as identified the gaps, with the overall roadmap shaping our future in terms of embracing a data-driven culture across our various functions.

Technological Support

For us to function effectively it is crucial that the MGA keeps abreast with new technologies and implements the latest solutions, security and control measures.

Following the change in processes that were affected by the COVID-19 pandemic, we have adopted Digital Signature Certificates as a means to sign and verify all of its internal and external electronic documents. This offers a higher level of security when sending documents and guarantees the authenticity of each signature. Furthermore, we have carried out a number of system maintenance and reengineering of old processes, workflows and automation to comply with the new best practises of Microsoft Dynamics 365 Customer Engagement (D365 CE) online.

The Enhanced Automated Reporting Platform (EARP) was introduced to make the necessary parallel tests and the reconciliations between the digital and physical reports. Within this ambit, we are currently undergoing a Data Retention exercise, through which a sifting exercise of archived documentation that we have received over the years is being undertaken.

The technology function is supporting the organisation in the development of new software and applications, mitigating IT risks, whilst allowing us to keep up to date with all the new and innovative emerging technologies.

GAMING INDUSTRY PERFORMANCE IN 2021

PREFACE

This section presents the performance of the gaming industry during 2021.

It is to be duly noted that the statistical figures presented in this report which are provided to the MGA by operators reflect gaming activity which is licensed by the Authority. On the other hand, data which is sourced from the National Statistics Office (NSO) of Malta captures the total gaming activity, regardless of whether it is licensed by the MGA or not. Moreover, in the estimation of the number of employees working in the gaming sector in Malta, various elements are considered: including data obtained from the MGA licensed entities, figures which are recorded by Jobsplus to capture employees working with gaming companies that are not licensed by the MGA as well as information from companies that are offering services to the gaming industry.

METHODOLOGY

These statistics relate to the gaming industry in Malta, licensed by the MGA. The sources used for statistical compilation are:

- > Industry Performance Returns (IPR/Return) submitted by operators in terms of Article 7(2)(d) of the Gaming Act (Chapter 583 of the Laws of Malta);
- > Information provided by operators through specific questionnaires and correspondence with the MGA;
- > Financial information provided by operators to the MGA;
- > Data obtained from the NSO; and
- > Employment information provided by Jobsplus and companies servicing the gaming industry.

1. Unless otherwise stated, figures are representative of the performance between January and December 2021.
2. The data presented in this report are based on the IPR, which were disseminated amongst all the companies that are licensed by the MGA. In order to collect this data, licensed companies were asked to answer a set of questions pertaining to the Maltese-licensed activity. The response rate at the cut-off date for compiling the review was 98%. The remaining data has been estimated by the Authority in order to provide a clear picture of the Maltese gaming industry.

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

3. 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.
4. Under the current licensing regime, operators are no longer required to apply for multiple licences to offer different games, unless they wish to offer both B2C and B2B services. Licensees are however required to apply for the game type approval. The Gaming Act establishes four game types, as follows:
 - > **Type 1** - Games of chance played against the house, the outcome of which is determined by a random generator, which includes casino type games, such as roulette, blackjack, baccarat, poker played against the house, lotteries, secondary lotteries, and virtual sports games.

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

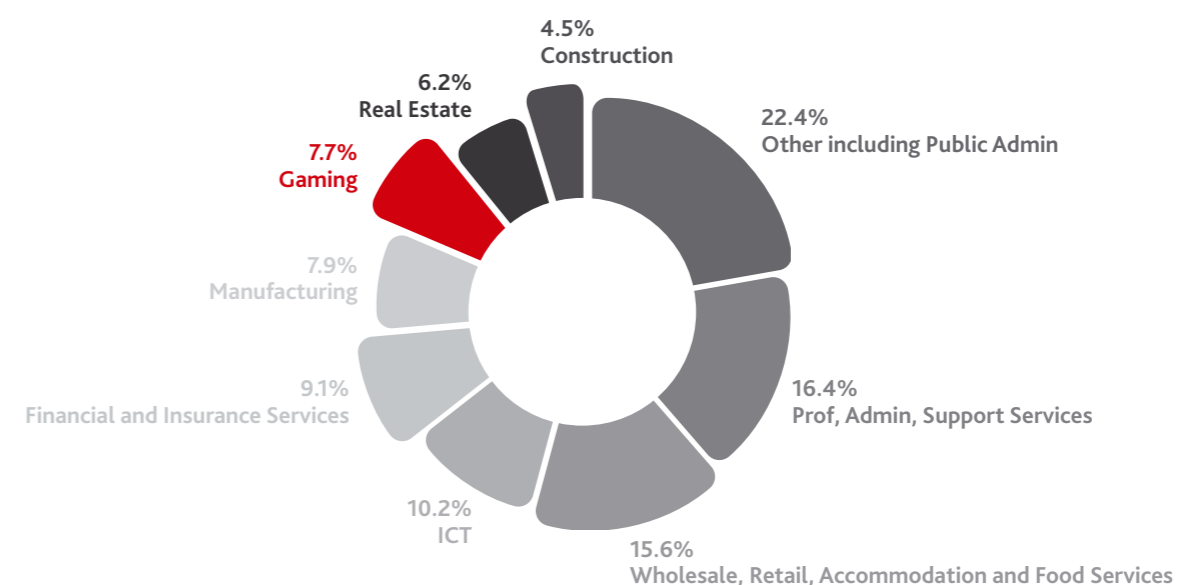
These changes further necessitated moving away from the collection of player account data (i.e., the number of active and new active player accounts) by type of game offered, towards the collection of data at the level of the reporting entity.

5. 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.
6. The MGA moved towards a standardised concept of GR for the computation of gaming tax and compliance contribution. Gaming operators are now requested to submit to the Authority the GR data as defined by the Gaming Licence Fees Regulations (S.L. 583.03) and the Directive on the Calculation of Compliance Contribution (Directive 4 of 2018), instead of Gross Gaming Revenue (GGR).
7. 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, 2020 and 2021 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 National Lottery, the gaming tax was reported in line with the relevant regulations for the years 2019, 2020, and 2021.
 - > For online gaming, the compliance contribution for the years 2019, 2020, and 2021 included licence fees and a 5% consumption tax on customers located in Malta, in line with the Gaming Tax Regulations (S.L. 583.10).
8. Unless otherwise stated, 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.
9. The direct contribution of the gaming industry to the Maltese economy relates to gambling and betting activities (NACE 92) in accordance with the European industrial activity classifications. The economic contribution is derived from NSO data which covers businesses operating in the Maltese territory which would also include firms that are not licensed by MGA. At 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).
10. The statistical figures reported for the previous periods have been revised to reflect any changes reported after their publication.

INTRODUCTION

The total Gross Value Added (GVA) generated by the gaming industry during 2021 is estimated at €1,019 million¹, representing around 7.7% of the economy's total. Apart from its direct contribution to the economy, gaming contributes to the generation of value added through input-output linkages with other major sectors, including professional and financial services, ICT activities, hospitality and catering services, distributive trades and real estate. Indeed, when the indirect effects are included, the contribution of the industry to the economy's value added in 2021 is estimated to have stood at 9.9%.

The gaming industry registered a year-on-year growth in value added equivalent to 14.1%² during 2021, which is higher than the economy average of 11.4%.



Source: National Statistics Office

Chart 1: Contribution of the Gaming Industry to Value Added

	2019	2020	2021
Number of licences (Note 1)	298	328	351
Number of companies in operation (Note 1)	294	323	341
Gross Value Added (€m) (Note 2)	785	893	1,019
Employment (FTE jobs)	7,417	8,292	10,685
Online	6,593	7,557	9,919
Land-Based	824	735	766
Compliance contribution, licence fees, levies, and consumption tax (€m)	80.4	73.5	77.9

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

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

Table 6: Headline Indicators of Gaming Industry Activity

As at the end of 2021, the number of companies licensed by the MGA, including both online and land-based entities, stood at 341, holding a total of 351 gaming licences and 377 game type approvals under the B2C licence. The MGA collected a total of €77.9 million in terms of compliance contribution fees, levies and consumption tax during the year.

¹ National Statistics Office.

² National Statistics Office.

It has been estimated that as at the end of 2021, the gaming industry directly generated 10,685 jobs in FTE terms, with 92.8% of these employees engaged in the online sector. The notable growth in employment within the online gaming sector during 2021 is attributed to additional recruitment by a small number of large firms, a reclassification of employees from being employed on indirect activities to working directly on the activities licensed by the MGA as well as jobs generated by new companies that commenced operations in Malta. In addition, when considering the employment generated by activities in or associated with the gaming industry, the total employment in the gaming sector in Malta as at the end of 2021 is estimated to be 14,950, representing approximately 5.4% of the total workforce. These indirect activities include FTEs who were working in Malta either on the activities licensed by another jurisdiction, with MGA-licensed firms, or that are employed with companies which service the gaming industry such as Law Firms, Consultancy Firms, Audit Firms, Data Centres, Translators, Software/IT Companies and Gaming Platforms.

Gaming Industry Outlook

The robust economic performance of the industry in Malta during 2021 attests to the gaming industry's resilience in the wake of the global economic turmoil brought about by the COVID-19 pandemic, and its commitment to remain effective at meeting consumer needs.

The digital disruption brought about by changes in consumer behaviour during the pandemic is expected to contribute to a notable demand expansion for certain types of gaming activities at a global level, with the industry in Malta being expected to benefit from these trends. From a European perspective, in 2021, the share of online bets from mobile devices is estimated to have exceeded betting from desktop computers for the first time. A general shift towards mobile betting is anticipated, being expected to reach 61.5% of all online bets by 2026³. Other key technological developments which are anticipated to be a cornerstone of the gaming industry include social-gaming convergence, in-game monetisation and new gaming platforms.

This positive outlook is also reflected in the expectations of online gaming operators, whereby around 70% of those who submitted a valid response in the IPR, expect gaming revenue to increase in 2022. This share of operators increases to 77% when expressing their expectations for 2023. There are also positive expectations for employment, such that around 65% of operators that provided a valid response, indicated that they expect employment within the gaming industry to increase over the period 2022 to 2023. Nevertheless, most operators also expect a surge in the costs incurred by the industry. The costs which most operators expect to increase include the legal and professional costs, and marketing costs. In order to avert such cost pressures and to consolidate their performance, a number of operators have been engaging in mergers and acquisitions during 2021. This trend is also expected to carry on in 2022.

In 2021 the decision of the Financial Action Task Force (FATF) to put Malta on the list of jurisdictions under increased monitoring indirectly impacted Malta from a reputational perspective hence the conduct of business in general, which could have possibly reached the gaming sector. Since the FATF Grey-listing decision in June 2021, Malta made a high-level political commitment to work with the FATF/MONEYVAL and other Supranational Authorities to strengthen the effectiveness of its AML/CFT regime. Indeed, at its February 2022 Plenary, the FATF made the initial determination that Malta has substantially completed its action plan and in April 2022, the FATF carried out an on-site visit to verify that the implementation of Malta's AML/CFT reforms has begun and is being sustained. This has contributed towards the removal of Malta from the grey-list in June 2022.

Against this background, the MGA remains committed to safeguarding Malta's reputation internationally by ensuring that a robust regulatory framework is in place to sustain a gaming sector which is fair, transparent and secure against crime and corruption. From a policy-making perspective, the Maltese Government remains consistent in its support to sustain the gaming industry.

From a regulatory perspective, whilst regulation is critical for the sustainability of the gaming industry, developments in the regulatory frameworks of individual jurisdictions could also give way to some degree of uncertainty or instability for industry players. In recent years, a number of regulatory developments have been taking place in countries such as the Netherlands, Sweden and Germany. The Netherlands has removed the online gambling ban in the jurisdiction and introduced a new licensing regime from 1 October 2021, as a result that online gambling is formally permitted in all Member States. From 2019, Sweden has formally replaced their exclusive monopoly model with a licensing regime and Germany has also introduced new regulations⁴.

Overall, the future of the gaming landscape in Malta remains positive. Industry players are to remain vigilant in the context of any uncertainties stemming from regulatory developments, the FAFT's impending decision and the trends that will characterise the post-COVID era. Nevertheless, the gaming industry in Malta is expected to gain further momentum and ensure its commitment towards sustainable growth in the foreseeable future, backed by a sound and robust regulatory framework and an economic environment which provides for the required human resources and operational infrastructures.

³ Source: European Gaming and Betting Association.

⁴ Source: Consumer-Protection-in-Online-Gambling-Regulation-Jan31-EGBA-Final.pdf

GAMING PREMISES - CASINOS

On 11 March 2021, all land-based casinos in Malta were ordered to temporarily close their venues in terms of Legal Notice 87 of 2021, entitled Closure of Places Open to the Public Order 2021, in order to combat the spread of COVID-19. The Maltese Government lifted the closure of casinos as from 7 June 2021, imposing certain restrictions on operators to ensure the safety of customers and casino employees.

During 2021, there were four licensed casinos in Malta: Dragonara Casino, Portomaso Casino and Casino Malta, located in the central part of the country, and Oracle Casino, located in the north.

1. Gaming Premises - Casinos: Game Types

The new licensing regime categorises all games that can be offered by the licensees into four different game types⁵. An operator can offer one or multiple game types. As at the end of 2021, all licensed casinos were in possession of an approval to offer Type 1, Type 2, and Type 3 games, as presented in the table below. To date, no licensed casinos provide games of skill under Type 4.

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

Table 7: Gaming Premises – Casinos – Game Types (end-December 2021)

2. Gaming Premises - Casinos: Number of Gaming Devices

As at the end of December 2021, the total number of gaming devices in the casinos stood at 904, including 887 slot-type gaming machines and 17 sports betting machines, as shown in the table below.

	end-2019	end-2020	end-2021
Slot-type gaming devices	937	913	887
Sports betting machines	17	17	17
Total	954	930	904

Table 8: Gaming Premises - Casinos - Number of Gaming Devices

3. Gaming Premises - Casinos: New Players' Registrations

Casino operators are required to register every new-to-the-casino player who enters their premises. Between January and December 2021, operators reported a total of 75,262 registrations in their establishments, part of which represent multiple registrations by a single player in more than one casino. The registered 35.2% increase over 2020 is partially due to the fact that during 2021 the number of tourists visiting the island increased⁶, even though there was a temporary closure of establishments during the first half of 2021.

	2019	2020	2021
Total	175,443	55,676	75,262

Table 9: Gaming Premises - Casinos - New Players' Registrations

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

⁶ National Statistics Office NR019/2022.

4. Gaming Premises - Casinos: Players' Visits

During the year under review, the total number of visits to local casinos stood at 477,776, a slight increase of 1.3% when compared with the corresponding period of 2020.

	2019	2020	2021
Total	940,766	471,862	477,776

Table 10: Gaming Premises - Casinos - Players' Visits

When analysing the number of visits reported on a monthly basis, it could be noted that up until April 2021, the number of visits recorded per month were lower than those registered in the previous years. This situation changed once the COVID-19 restrictions imposed on the casino sector by the Maltese Government were lifted on 7 June 2021, such that the number of visits registered per month until the end of the year, were higher than those reported for 2020, but still lower than 2019. The chart below presents the number of visits by month, registered in the casino sector between 2019 and 2021.

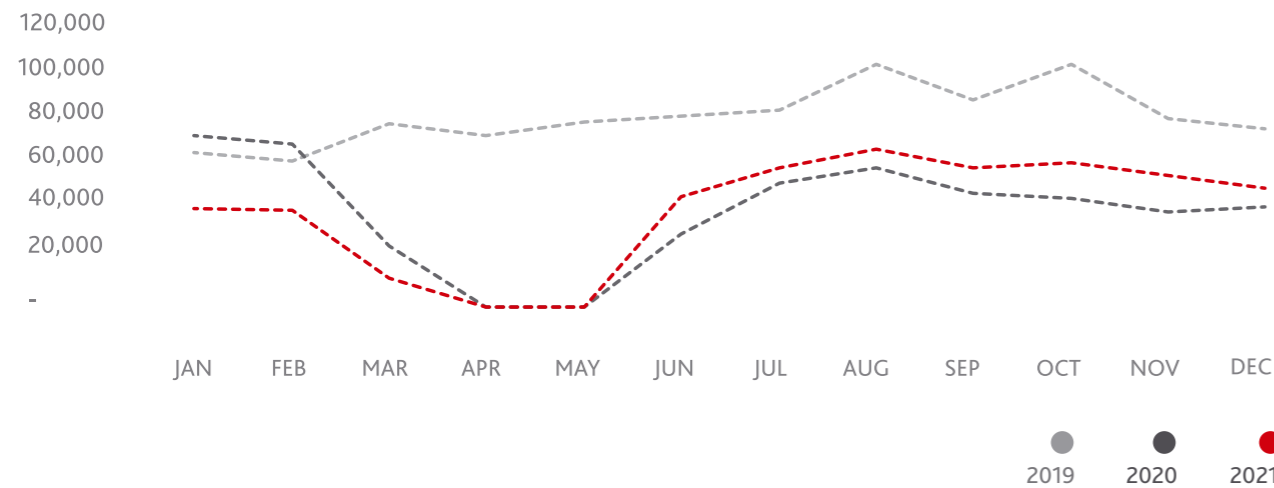


Chart 2: Gaming Premises - Casinos - Players' Visits

Junket Players

During the period under review, local casinos hosted 709 junket players⁷. The closure of casinos, travel restrictions and lockdowns enforced in various countries to slow down the spread of COVID-19, have had a substantial impact on the number of junkets visiting Maltese casinos. Nevertheless, there was a 10.4% increase in the number of junket players when compared with 2020. Of all junket players hosted by casinos during the period under review, 26.8% referred to in-house junkets whilst the remaining players were brought to the casinos by junket leaders.

	end-2019	end-2020	end-2021
In-house	567	183	190
With junket leader	923	459	519
Total	1,490	642	709

Table 11: Gaming Premises - Casinos - Number of Junket Players

⁷The arrangement, the purpose of which is to induce any person residing outside Malta, selected or approved for participation therein, to come to gaming premises in possession of a concession issued by the Maltese 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. Gaming Premises - Casinos: Players' Profile

Nationality

Due to the pandemic restrictions and travel bans, fewer foreign players visited Maltese casinos when compared to 2019, which represents the period before the COVID-19 outbreak. Notwithstanding, visits by non-Maltese players still registered an increase of 7.7% when compared with the twelve-month period of 2020 and accounted for 48.2% of the total visits recorded during 2021.

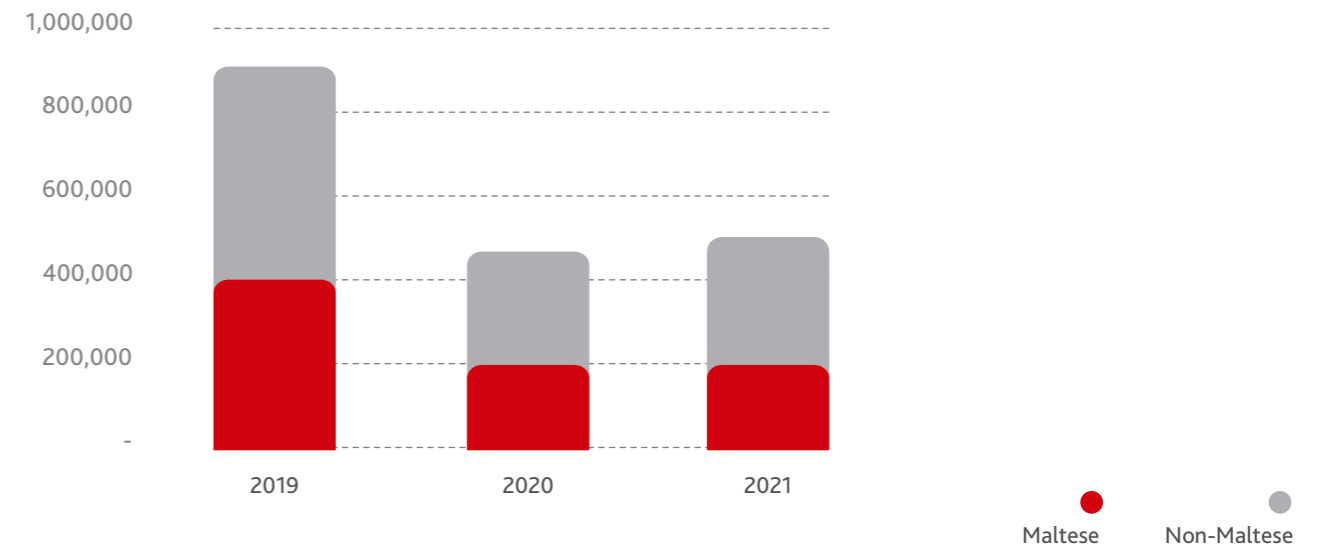
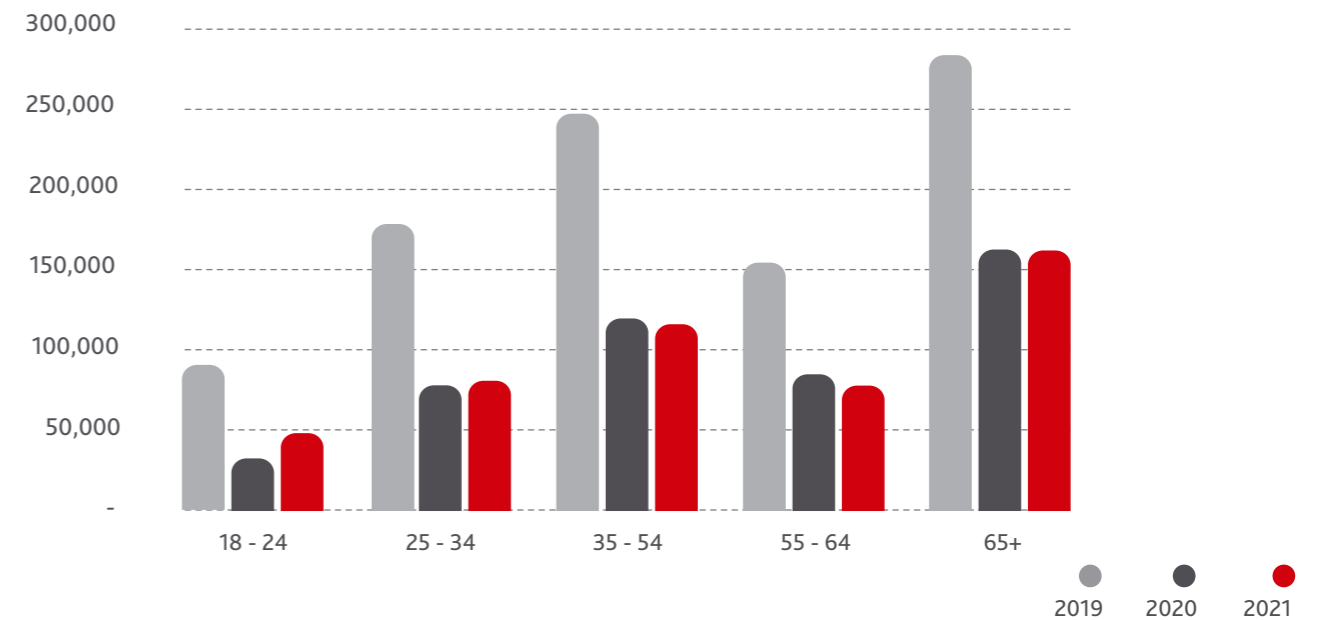


Chart 3: Gaming Premises - Casinos - Players' Profile by Nationality

Demographic Group

During 2021, a similar trend to that observed in 2020 was registered across visits by players of all age groups. Visits by persons aged 65 and over continued to constitute the largest demographic category of visitors to casinos, accounting for 33.5% of the total visits. Visitors from the 35-54 age bracket constituted 24.0% of the visits, this being the second largest category. There was a slight increase in the number of players aged between 18 and 24. Visits by players from the 25-34, 55-64 and 18-24 age brackets accounted for 16.4%, 16.1%, and 10.0% of the total visits.



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

Chart 4: Gaming Premises - Casinos - Players' Profile by Age Group Distribution

It is worth noting that visits by female players accounted for 44.7% of all visits. This ratio has increased by nearly six percentage points when compared with 2020.

6. Gaming Premises - Casinos: GR

The closure of the casinos during the first half of 2021 also resulted in a decline in the GR generated by the sector when compared with the period prior to the pandemic, but remained at par with that generated in the previous year. Almost the entire GR was generated from Type 1 games, as shown in the chart below.

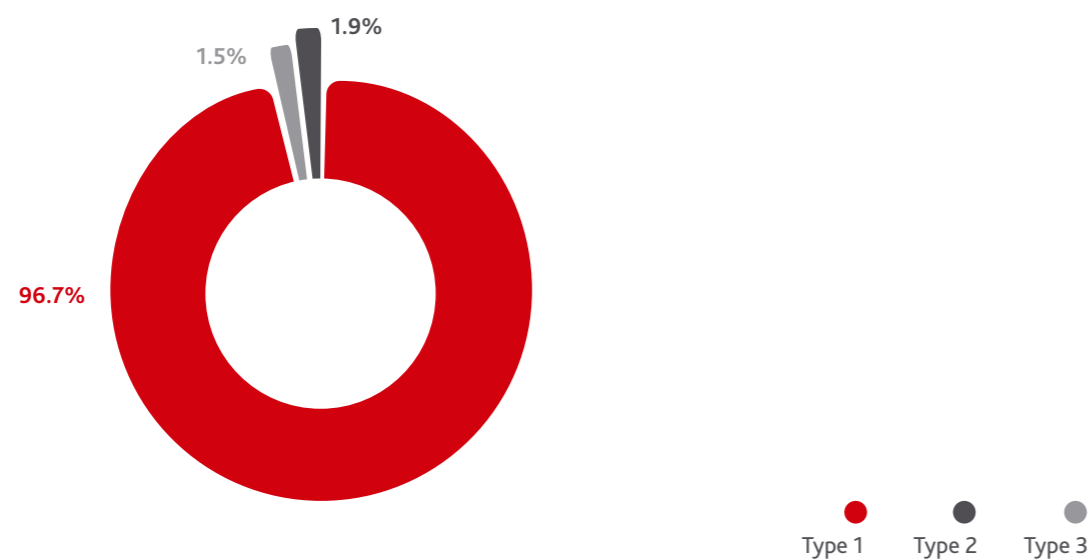


Chart 5: Gaming Premises - Casinos - GR Distribution by Game Type

The GR from the limited junkets' activity stood at 6.0% of the total GR reported during 2021. In percentage terms, the GR generated from junkets' activity decreased by nearly four percentage points when compared with the activity reported in the previous year.

Average GR per Visit

During the year under review, the average GR per visit remained nearly the same as that recorded in 2020, decreasing marginally from €63.9 to €63.7, as indicated in the table below.

	2019	2020	2021
Total [€]	55.1	63.9	63.7

Table 12: Gaming Premises - Casinos - Average GR per Visit

7. Gaming Premises - Casinos: Compliance Contribution

During the course of 2021, the MGA collected a total of €10.6 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. This remained at par with the figure reported in the previous year.

	2019	2020	2021
Total [€]	17,403,045	10,486,001	10,583,430

Note: The figures for years 2019 - 2021 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).

Table 13: Gaming Premises - Casinos - Compliance Contribution

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 496, thereby recording a slight increase of 1.4% when compared with the figure reported as at the end of 2020.

	end-2019	end-2020	end-2021
Total	582	489	496

Table 14: Gaming Premises - Casinos - Employment (FTE)

The proportion of male employees increased by three percentage points relative to the same figure reported at the end of 2020, such that male employees represented 61.4% of total employees as at the end of December 2021. Furthermore, the share of non-Maltese employees increased by nearly four percentage points to 65.9%, from 62.2% as reported at the end of 2020.

CONTROLLED GAMING PREMISES

1. Controlled Gaming Premises: Number of Outlets

By the end of 2021, the number of approved controlled gaming premises⁸ in Malta totalled 64, increasing by four over the previous year. They were spread across 33 localities in Malta and Gozo. The highest number of outlets were located in the Southern Harbour and Northern Harbour Districts, as defined in Appendix 2, which by the end of 2021, had 22 and 20 approved premises respectively. These regions also feature a relatively high population value and density, and significant commercial activity that is also of a touristic nature.

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

	end-2019	end-2020	end-2021
Total	56	60	64

Table 15: Controlled Gaming Premises - Number of Outlets

2. Controlled Gaming Premises: Game Types

By the end of 2021, all six of the licensees operating the 64 controlled gaming premises were in possession of an approval to offer Type 1⁹ games. Furthermore, operators were in possession of Type 2 and Type 3 approvals, as presented in the table below.

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

Table 16: Controlled Gaming Premises - Game Types (end-December 2021)

3. Controlled Gaming Premises: Number of Gaming Devices

The number of licensed gaming devices has increased to 540 by the end of 2021. This has brought the average number of gaming devices per outlet to 8.4, which is in line with the regulations limiting the number of devices per outlet to no more than 10.

	end-2019	end-2020	end-2021
Total	474	521	540
Average per Controlled Gaming Premises	8.5	8.7	8.4

Table 17: Controlled Gaming Premises - Number of Gaming Devices

4. Controlled Gaming Premises: Players' Visits

Between January and December 2021, the number of visits to controlled gaming premises increased by 5.7% when compared with the same period of 2020, to stand at 668,703. This increase is partially attributed to the fact that during 2021, controlled gaming premises were not affected by the restrictions imposed to combat the spread of COVID-19.

	2019	2020	2021
Total	799,420	632,533	668,703

Table 18: Controlled Gaming Premises - Number of Visits

⁸ 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 Maltese Government, or premises in which the only gaming that is carried out consists of tombola games.

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

As shown in the chart below, when considering the number of visits reported on a monthly basis, it could be noted that predominately in the second half of 2021, the number of month-on-month visits registered was lower than that recorded in the previous years. Notwithstanding, the overall total number of visits to controlled gaming premises in 2021 was higher than that registered in 2020, due to the fact that there was no closure of such premises in 2021. Despite the growth in the total number of visits, the levels recorded prior to 2020 have not been achieved yet.

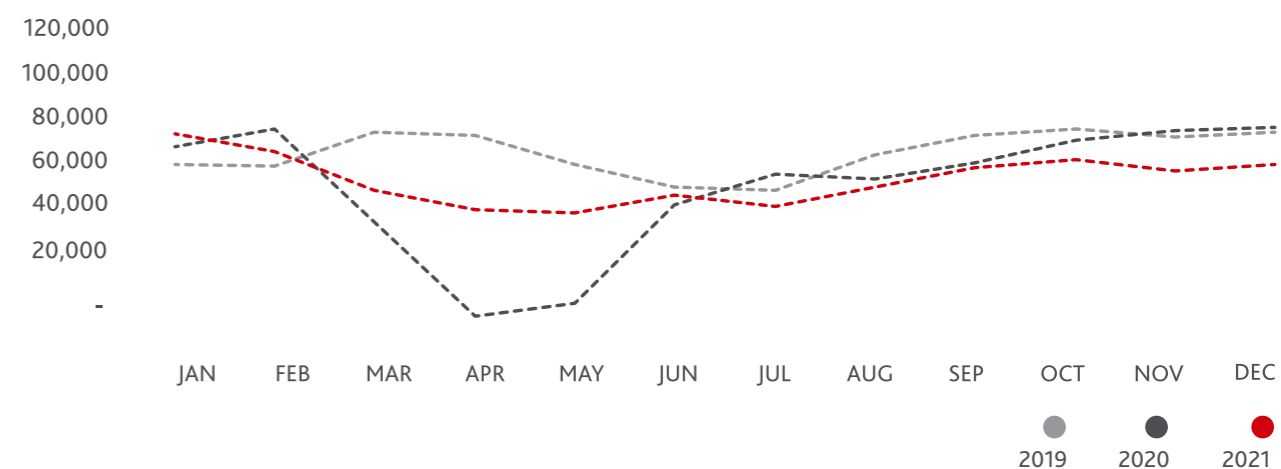


Chart 6: Controlled Gaming Premises - Number of Visits

Number of Visits by Locality

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

During 2021, the highest number of players' visits took place in the Northern Harbour and Southern Harbour districts, accounting for 35.2% and 25.4% of all visits respectively. These two districts are also characterised by the highest number of outlets, 20 and 22 respectively, which explains the levels of visits. The remaining visits were distributed between the following districts: Northern (18.2%), South Eastern (12.9%), Gozo and Comino (4.3%), and Western (3.9%).

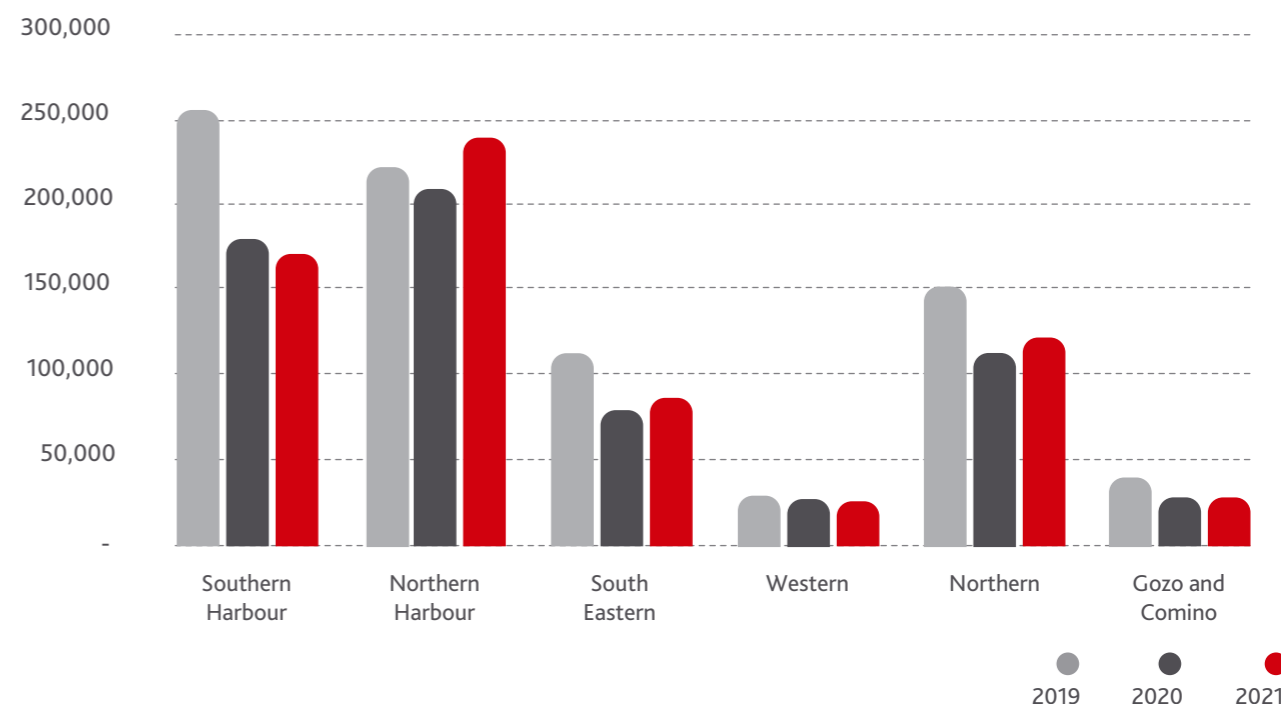


Chart 7: Controlled Gaming Premises - Number of Visits by District

5. Controlled Gaming Premises: New Players' Registrations

During the year under review, there were a total of 6,866 new registrations at controlled gaming premises, resulting in an increase over the levels recorded in 2020. This is due to the fact that, as opposed to 2020, controlled gaming premises were not affected by the pandemic restrictions introduced by the Maltese Government.

	2019	2020	2021
Total	8,804	5,601	6,866

Table 19: Controlled Gaming Premises - New Players' Registrations

6. Controlled Gaming Premises: Players' Profile

Nationality

The share of visits to gaming parlours by Maltese players stood at 50.7% during 2021, at par with the ratio registered in 2020. The considerably lower ratio of visits by Maltese players, which was also noted for the previous two years, reflects the changing demographic composition of the resident population in Malta.

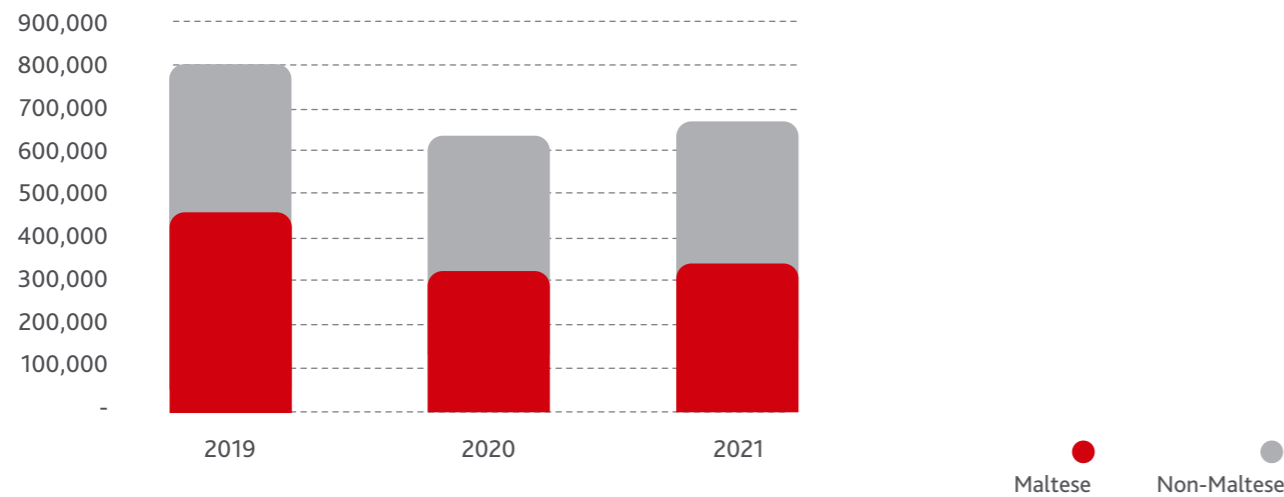


Chart 8: Controlled Gaming Premises - Players' Profile by Nationality

Demographic Group

Between January and December 2021, visits by players from the 35–54 and 25–34 age brackets continue to constitute the largest demographic category of visitors to gaming premises, accounting for 35.6% and 35.1% of all visits respectively. Visits by players from the 65+, 55–64, and 18-24 age brackets accounted for 10.5%, 9.9%, and 8.9% of the total visits registered during 2021.

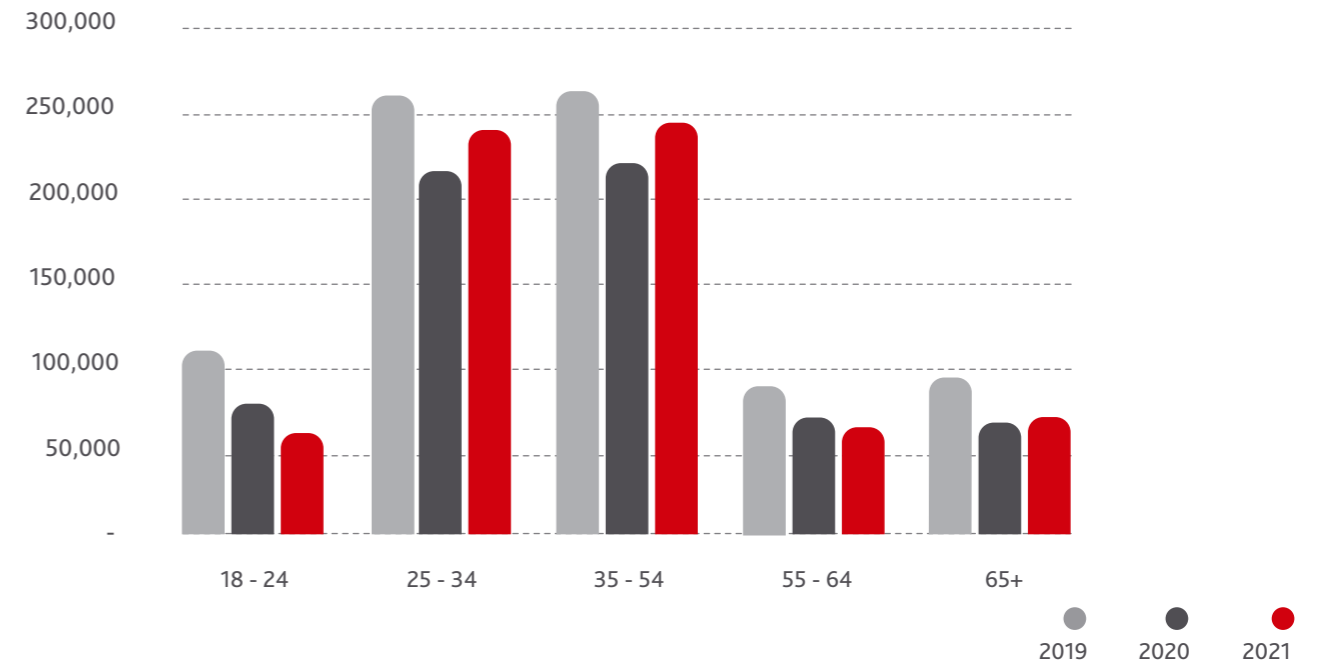


Chart 9: Controlled Gaming Premises - Players' Profile by Age Group Distribution

In particular, controlled gaming premises are mostly popular with males, whose visits accounted for 93% of the total visits registered during 2021.

7. Controlled Gaming Premises: GR

During the twelve-month period of 2021, GR generated by the sector declined by 4.1% when compared to 2020. The total GR generated during the reporting period was predominately split between Type 1 and Type 2 games, each accounting for a 49.4% share, while the remaining GR generated (1.2%) was from Type 3 games.

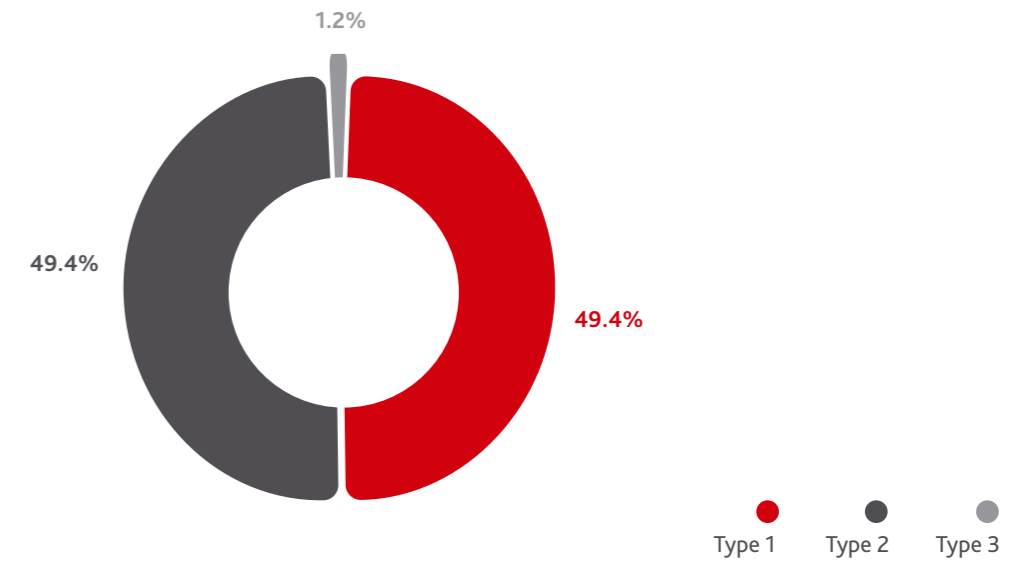


Chart 10: Controlled Gaming Premises - GR Distribution by Game Type

Average GR per Visit

During the year under review, the average GR per visit to controlled gaming premises stood at €13.7.

	2019	2020	2021
Total	16.6	15.5	13.7

Table 20: Controlled Gaming Premises - Average GR per Visit

8. Controlled Gaming Premises: Compliance Contribution

During the course of 2021, the MGA collected a total of €2.4 million (including compliance contribution, licence fees, levies, as well as a 5% consumption tax on customers located in Malta) from the operators of controlled gaming premises.

	2019	2020	2021
Total [€]	3,228,577	2,441,156	2,375,831

Note: The figures for years 2019 - 2021 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).

Table 21: Controlled Gaming Premises - Compliance Contribution

9. Controlled Gaming Premises: Employment

The number of FTE direct employees working in controlled gaming premises grew by 15.7% during 2021, reaching a total of 177. This increase is mainly due to the opening of new outlets by operators in the gaming parlour sector.

	end-2019	end-2020	end-2021
Total	144	153	177

Table 22: Controlled Gaming Premises - Employment (FTE)

By the end of 2021, 68.6% of all controlled gaming premises' employees were male, an increase of nearly 2 percentage points when compared to the figure reported in December 2020. A decline of around 3 percentage points in the number of Maltese employees is also noticed, going down to 79.3% of the total number of employees.

GAMING PREMISES - COMMERCIAL BINGO

All commercial bingo halls were closed from 11 March 2021 as per Legal Notice 87 of 2021, entitled Closure of Places Open to the Public Order 2021, in order to combat the spread of COVID-19. The restrictions were lifted on 7 June 2021, allowing operators to reopen the gambling premises.

1. Gaming Premises - Commercial Bingo: Number of Establishments

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

2. Gaming Premises - Commercial Bingo: Game Types

By the end of 2021, all commercial bingo licensees were in possession of an approval to offer Type 3 games¹⁰.

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

During 2021, the commercial bingo sector reported 647 new registrations, a decrease of 10% from the 719 new registrations during the same period in 2020, with the lower number of registrations resulting once again from the temporary closure of commercial bingo halls.

	2019	2020	2021
Total	2,887	719	647

Table 23: Gaming Premises - Commercial Bingo - New Players' Registrations

4. Gaming Premises - Commercial Bingo: Players' Visits

During the period January to December 2021, the number of players' visits to commercial bingo halls decreased by 7.3% when compared with the corresponding period of 2020. This was primarily due to the temporary closure of commercial bingo halls resulting from the restrictions imposed by the Maltese Government to combat the spread of COVID-19.

	2019	2020	2021
Total	166,562	89,734	83,160

Table 24: Gaming Premises - Commercial Bingo - Number of Visits

When analysing the figures on a monthly basis, and as presented in the chart below, it could be noted that prior the closure of commercial bingo halls in March 2021, the number of visits registered in the commercial bingo sector were much lower when compared with the previous two years. Once the gaming premises returned to operation in June, the number of monthly visits recorded was higher when compared with the second half of 2020. Notwithstanding, the levels recorded prior to the outbreak of the COVID-19 pandemic have not yet been achieved.

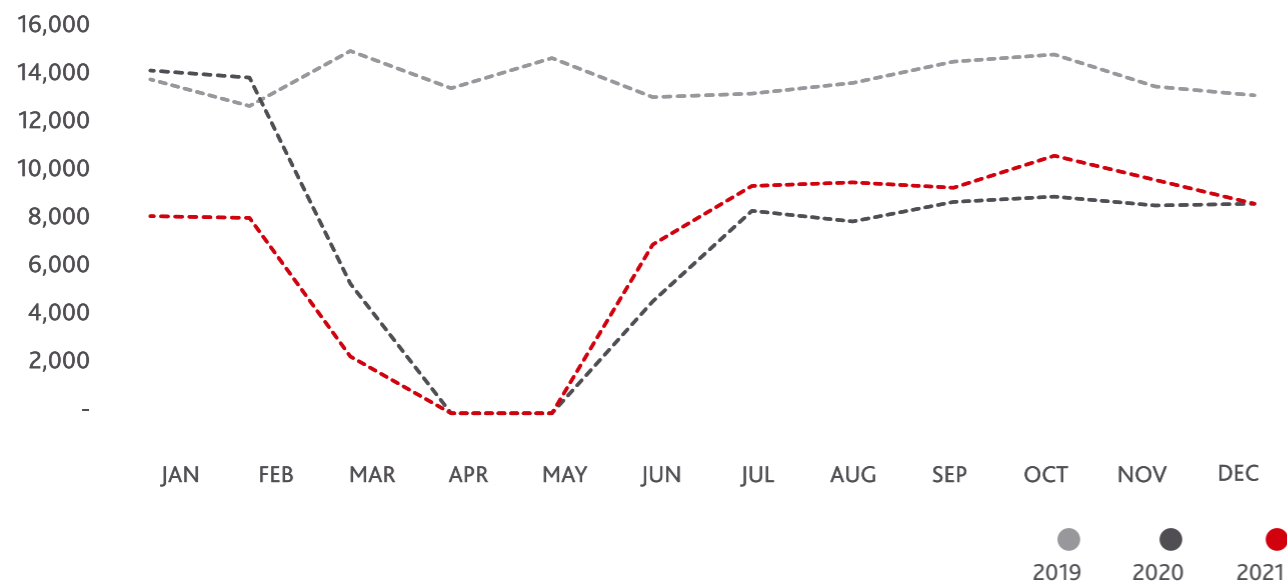


Chart 11: Gaming Premises - Commercial Bingo - Number of Visits

5. Gaming Premises - Commercial Bingo: Players' Profile

Nationality

In similarity to the ratio observed in the past years, visits to commercial bingo halls were predominantly made by Maltese residents, constituting 98.3% of the total visits reported during the year under review.

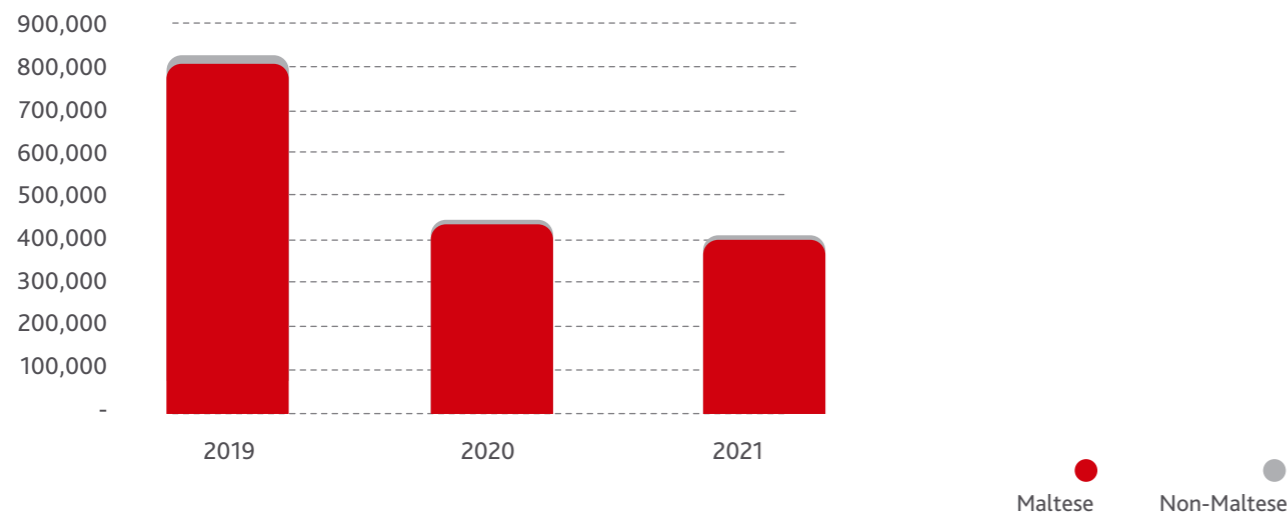


Chart 12: Gaming Premises - Commercial Bingo - Players' Profile by Nationality

Demographic Group

During the course of 2021, visits by players aged 65 years or over continued to represent the highest share (63.2%) of the total visits registered by the commercial bingo sector. This represents an increase of almost five percentage points when compared with 2020. Visits by players from the 55-64 age category represented 22.5% of the visits in 2021, a decrease of almost 3.5 percentage points in comparison to 2020. The visits of players within the 18-24, 25-34 and 35-54 age groups remained at par with those recorded in 2020, accounting for 0.8%, 1.9%, and 11.6% of the total visits, respectively.

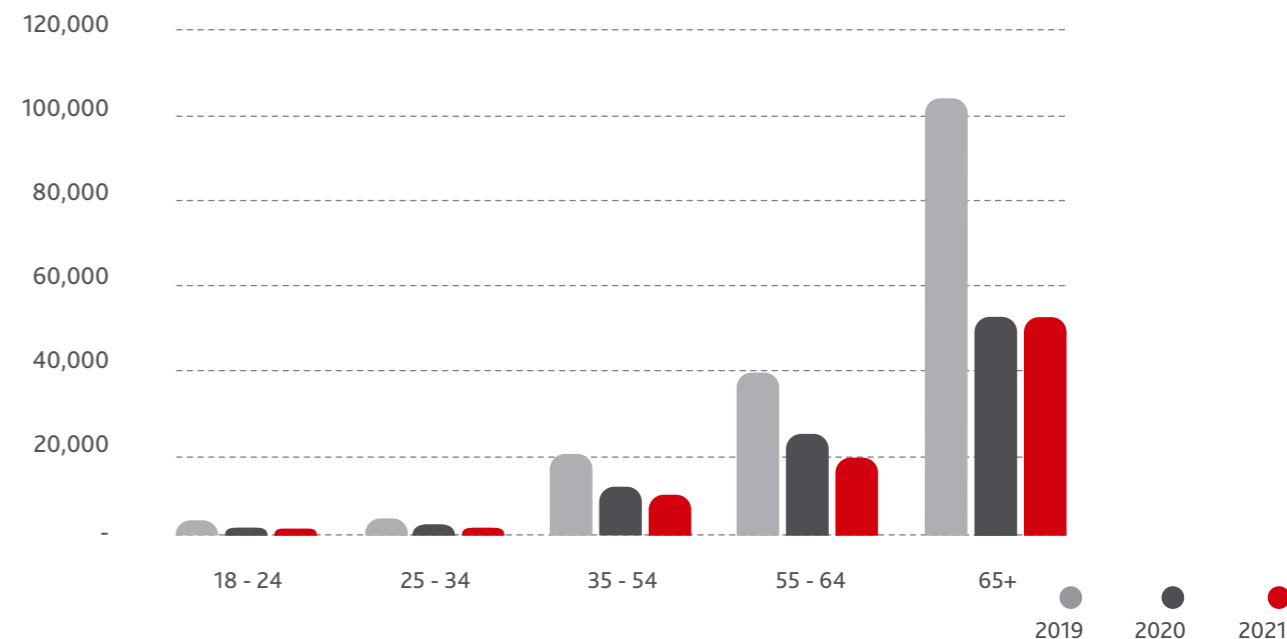


Chart 13: Gaming Premises - Commercial Bingo - Players' Profile by Age Group Distribution

Similarly to what was reported in previous years, the gender balance statistics remain static with the vast majority of players who visited commercial bingo halls during this reporting period were women. Visits by females represented 89% of all the visits made during 2021.

6. Gaming Premises - Commercial Bingo: GR

During the period under review, the GR of the commercial bingo sector decreased by 12.4% when compared with the corresponding period of 2020. This is mainly due to the drop of 7.3% in the number of players' visits to commercial bingo halls.

Average GR per Visit

The average GR per visit for the period January to December 2021 decreased slightly from €15.9 in 2020 to €15.0 in 2021.

	2019	2020	2021
Total [€]	13.2	15.9	15.0

Table 25: Gaming Premises - Commercial Bingo - Average GR Per Visit

7. Gaming Premises - Commercial Bingo: Compliance Contribution

During 2021, the MGA collected a total of €249,784 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 commercial bingo hall operators, in terms of the applicable legislation.

It should be noted that the data presented in the following table reveals a decrease of 15.1% in the compliance contribution for 2021 when compared to the corresponding period of 2020.

	2019	2020	2021
Total [€]	448,353	294,050	249,784

Note: The figures for years 2019 - 2021 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).

Table 26: Gaming Premises - Commercial Bingo - Compliance Contribution

8. Gaming Premises - Commercial Bingo: Employment

By the end of December 2021, the bingo sector directly employed 33 FTE employees.

	end-2019	end-2020	end-2021
Total	40	32	33

Table 27: Gaming Premises - Commercial Bingo - Employment (FTE)

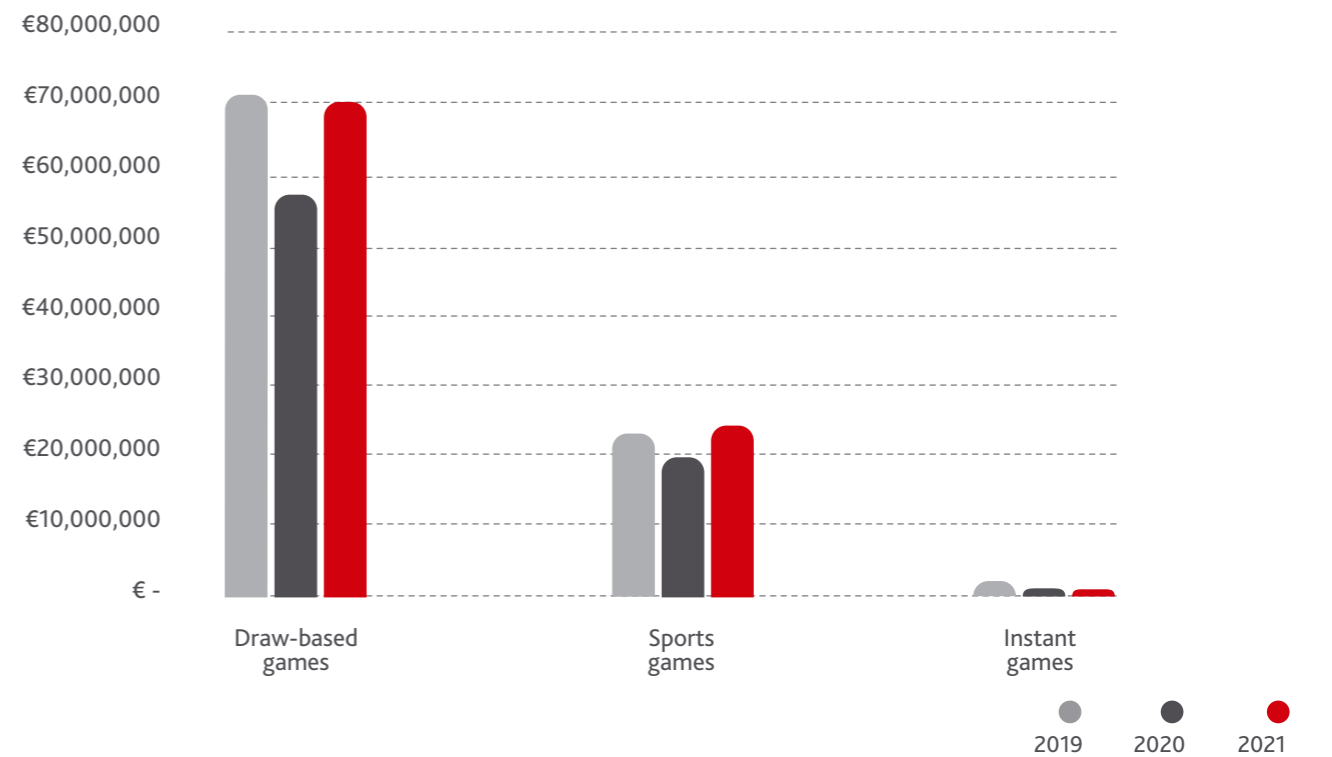
By the end of 2021, 73% of all commercial bingo hall employees were female, a decrease of just more than eight percentage points when compared to the figures reported as at the end of December 2020. The ratio of Maltese nationals employed in the bingo sector went down to 73%, that is, 3.3 percentage points less than that recorded at the year-end 2020.

NATIONAL LOTTERY

1. National Lottery: Turnover by Game Category

Between January and December 2021, the total turnover of Maltco stood at €95.5 million. This is measured in terms of sales across three game categories, namely draw-based games, instant games and sports games, including the games offered through the internet gaming website, namely Super 5, Lotto and Quaterno+, SUPERSTAR, and Quick Keno to online players.

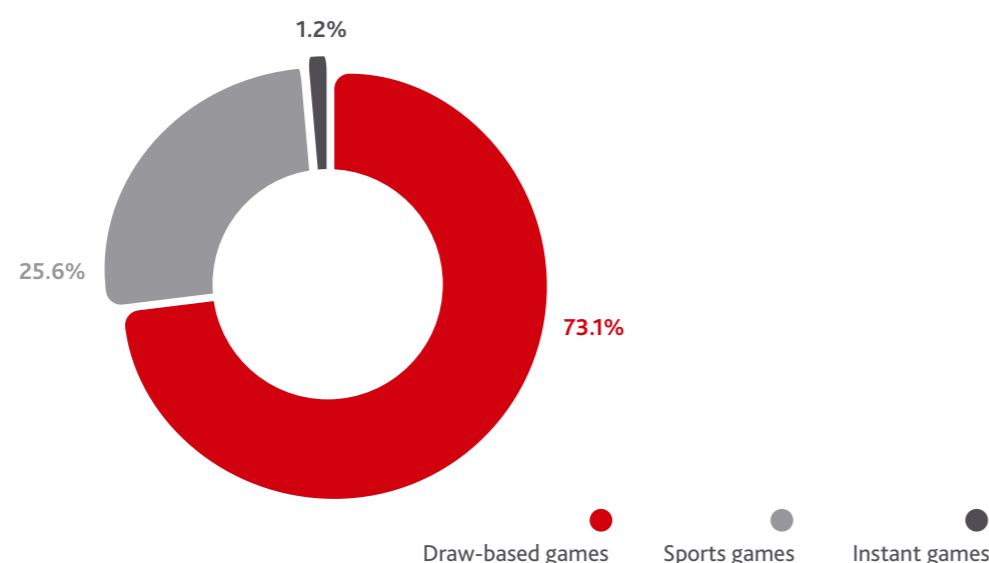
When compared to 2020, an increase in turnover was registered for all the three game categories, which in total amounted to 23.1%, and can be attributed to the fact that as opposed to the previous year, Maltco was in full operation throughout 2021. The total turnover is roughly at par with the turnover for the year 2019 when the pandemic hadn't yet hit our island. All three types of games, that is, draw-based games, sports games and instant games registered an increase of 22.8%, 25.1% and 5.2% respectively when compared with the previous year.



Source: Maltco Lotteries Limited

Chart 14: National Lottery - Turnover by Game

When analysing the split of turnover between the three game categories, sales of draw-based games continued to account for the largest source of turnover for Maltco, representing 73.1% of Maltco's total sales during 2021. Sports games accounted for 25.6% whilst instant games made up 1.2% of the total sales reported during the period under review. The percentage distribution across the three game categories is in line with the shares reported in 2020.



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

Source: Maltco Lotteries Limited

Chart 15: National Lottery - Turnover by Game

2. National Lottery: Gaming Tax

Between January and December 2021, the total gaming tax payable by the National Lottery operator stood at €12.3 million.

	2019	2020	2021
Total [€]	11,923,090	10,018,111	12,254,589

Table 28: National Lottery - Gaming Tax

Maltco's Contribution to the Social Causes Fund

In addition to gaming tax, in accordance with law and concession conditions, Maltco contributes to the Social Causes Fund. During 2021, Maltco passed on €853,980 to this Fund.

	2019	2020	2021
Total [€]	712,205	573,919	853,980

Table 29: National Lottery - Contribution to the Social Causes Fund

3. National Lottery: Points of Sale

Maltco offers its services through an extensive network of lotto booths (Points of Sale) where one can participate in games. By the end of 2021, the number of Points of Sale amounted to 206 outlets spread across the Maltese Islands.

	end-2019	end-2020	end-2021
Total	215	203	206

Table 30: National Lottery - Points of Sale

LAND-BASED SELF-EXCLUSION

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

1. Number of Self-Exclusion Requests

A total of 1,247 players submitted a request to be self-excluded from the land-based gambling outlets in Malta, following the similar figures which were reported for the same period of 2020.

It is to be duly noted that when compared to data recorded in 2019, the first six months of both 2020 and 2021 were affected by the closure of all controlled gaming premises for almost 12 weeks, in order to combat the spread of COVID-19. This explains the decrease in the number of self-exclusion requests registered.

	2019	2020	2021
6 months	780	577	509
12 months	819	680	738
Indefinite	3	1	0
Total	1,602	1,258	1,247

Table 31: Land-Based - Number of Self-Exclusion Requests

Out of all the players that requested a self-exclusion, the majority of players, 59.2%, opted for a one-year exclusion, while 40.8% applied for a six-month exclusion. None of the players requested to exclude themselves indefinitely.

When considering the age distribution of self-excluded gamblers, it could be noted that for the land-based sector, gamblers from the 35–54 age group registered the highest number of self-exclusion requests, accounting for 38.6% of all requests, while only 4.5% of these requests came from the youngest age group (18–24). The remaining requests were almost equally shared between the other remaining age group categories, namely the 25–34, 55–64, and 65+ age brackets. In terms of gender distribution, and in line with previous trends, during the year under review, 75.5% of the self-exclusion requests were made by male players.

OTHER GAMES

1. Low Risk Games

The regulatory framework classifies non-profit games, commercial communication games and limited commercial communication games as low risk games as per the Fifth Schedule of the Gaming Authorisations Regulations (S.L. 583.05). Low risk games require a permit which is only valid for a singular event and expires when the event is concluded.

Non-Profit Games

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

	2019	2020	2021
Non-profit lottery	34	6	16
Non-profit tombola	1830	867	743

Table 32: Non-Profit Games - Permits Issued

The slowdown in the number of applications received for both non-profit lottery and non-profit tombola for such events was expected in light of the restrictions imposed due to the COVID-19 pandemic during the second quarter of the year.

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 2021, the MGA issued a total of 58 certificates for commercial communication games.

Limited Commercial Communication Games

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

ONLINE GAMING

1. Online Gaming: Key Highlights

In 2021, a total of 52 applications for gaming licences were received whilst 46 licences were issued. Throughout 2021, 21 gaming applications were either rejected by the MGA or withdrawn by the applicants. Moreover, the Authority cancelled 5 online gaming licences due to various regulatory breaches. Furthermore, 18 licences were terminated.

	2019	2020	2021
Applications			
New Gaming Licence Applications	89	58	52
Rejected / Withdrawn Gaming Licence Applications	44	30	21
Licences			
Gaming Licences Issued	53	68	46
Termination of Gaming Licences	12	9	18
Cancelled Licences	14	12	5
Suspended Licences	11	3	0

Table 33: Online Gaming - Key Figures

2. Online Gaming: Number of Companies

As at the end of 2021, the number of gaming companies offering online services stood at 332, as shown in the following table. In 2018, the Gaming Act introduced the concept of a corporate group licence, which allows multiple companies to be covered by one group licence. Entities falling under a corporate licence are jointly considered by the Authority to be one licensed entity and, for the purposes of these statistics, are considered to be one operating company. As at the end of December 2021, 40 companies held corporate group licences, with a total of 165 entities forming part of the respective groups.

	2019	2020	2021
No. of companies	284	314	332
Additional companies falling under the Corporate Group Licence	86	141	165

Table 34: Online Gaming - Number of Companies

3. Online Gaming: Distribution of Licences by Category

Due to the introduction of the new licensing regime, which became applicable for online gaming operators as of 1 August 2018, the number of gaming companies and licences are better aligned, since the operators do not require multiple licences to offer different games, unless they wish to offer both B2C and B2B services. As at the end of 2021, the B2C group of licences accounted for 57.8% of the total licence base. Out of the 40 corporate group licences that were active up to the end of December 2021, 27 referred to B2C-related operations whilst the remaining 13 were for B2B-related activity.

	end-2019	end-2020	end-2021
B2C - Gaming Service Licence	195	196	197
of which are B2C - Corporate Licences	14	24	27
B2B - Critical Supply Licence	92	122	144
of which are B2B - Corporate Licences	9	11	13

Table 35: Online Gaming - Distribution of Licences by Category

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

The new licensing regime categorises all the games that can be offered by the licensees into four different game types¹¹. An operator can offer one or multiple game types. As in previous years, by the end of 2021, the vast majority of active B2C operators were in possession of an approval to offer Type 1 and Type 2 games, as presented in the table below.

	end-2019	end-2020	end-2021
Type 1	152	164	167
Type 2	118	118	125
Type 3	41	38	47
Type 4	12	10	13

Table 36: Online Gaming - B2C - Game Types

5. Online Gaming: Customer Accounts

Active Player Accounts

The number of active player accounts¹² registered on websites licensed by the MGA dropped by 2% when compared to 2020, reaching 35.4 million accounts. Despite the onset of the COVID-19 event over the past two years, the number of total active players was still higher than that registered prior to 2020. Although not to the same extent, a drop of 7.6% was recorded in the number of new registrations when compared to 2020.

	2019	2020	2021
Total	30,647,211	36,196,001	35,459,498

Table 37: Online Gaming - Active Player Accounts

New Active Player Accounts

The estimated number of new active player accounts stood at 16.5 million, resulting in a 3.5% growth over the same period in 2020, despite a decrease in both the number of new registrations and number of active player accounts.

	2019	2020	2021
Total	13,797,091	15,938,919	16,498,630

Table 38: Online Gaming - New Active Player Accounts

6. Online Gaming: Players' Profile

Demographic Group

As happened in the previous years, players from the 25–34 age group constituted the largest category of players, accounting for 38.3% of all the customers playing on websites regulated by the MGA during 2021. Customers from the demographically wider 35–54 age group constituted 31.9% of the player base. The share of players falling within the 18–24 age bracket stood at 22.7% while players aged 55 and over continued to account for a minimal share of online gaming activity licensed under the Maltese jurisdiction.

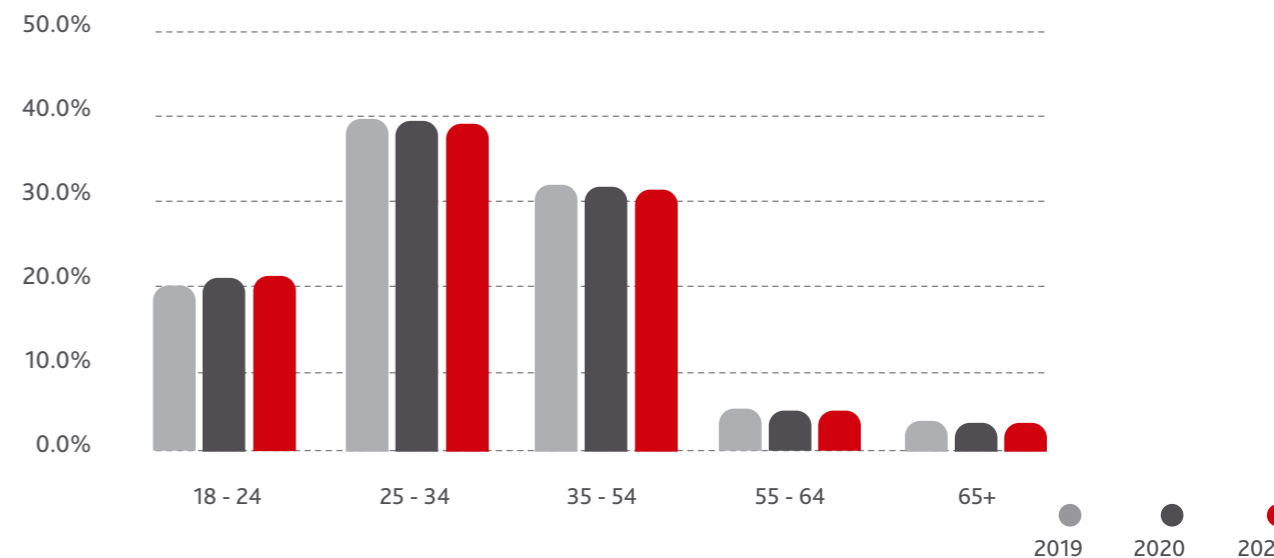


Chart 16: Online Gaming - Players' Profile by Age Group Distribution

In terms of gender distribution, males continued to constitute the largest category of players, accounting for 71.7% of the total player base.

Number of Self-Exclusion Requests

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

Through the data collected by the MGA¹³ from online gaming licensed operators for 2021, it has been estimated that the total number of self-exclusion requests (sign-ups) by online players amounted to 2.5 million, part of which may represent multiple self-exclusions by a single player on more than one website. The number of exclusions that were imposed on a player by the online licensees amounted to 0.4 million. Similarity could be observed, in terms of volumes, when compared to the data reported for 2020.

In terms of the choice of period for which an online player self-excludes themselves, behavioural patterns similar to those recorded during 2020 were noted. The highest number opted for the up to one month option (39.7%), followed by those who preferred an indefinite exclusion (27.9%). Furthermore, during the current reporting period, only 5.3% of the self-excluded players approached operators to reverse or cancel their self-exclusion request. These exclude the instances where the self-exclusion was removed upon expiry of the exclusion term.

In the case of those exclusions imposed by the online operator, in line with previous trends, the absolute majority (74%) were imposed for an indefinite period of time.

¹¹ For more information on the game types, please refer to Point 5 of the Methodology.

¹² Active accounts are defined as accounts belonging to customers who played at least once during the year under review.

¹³ Industry Performance Return data collection exercise for the period January - June 2021 and July - December 2021.

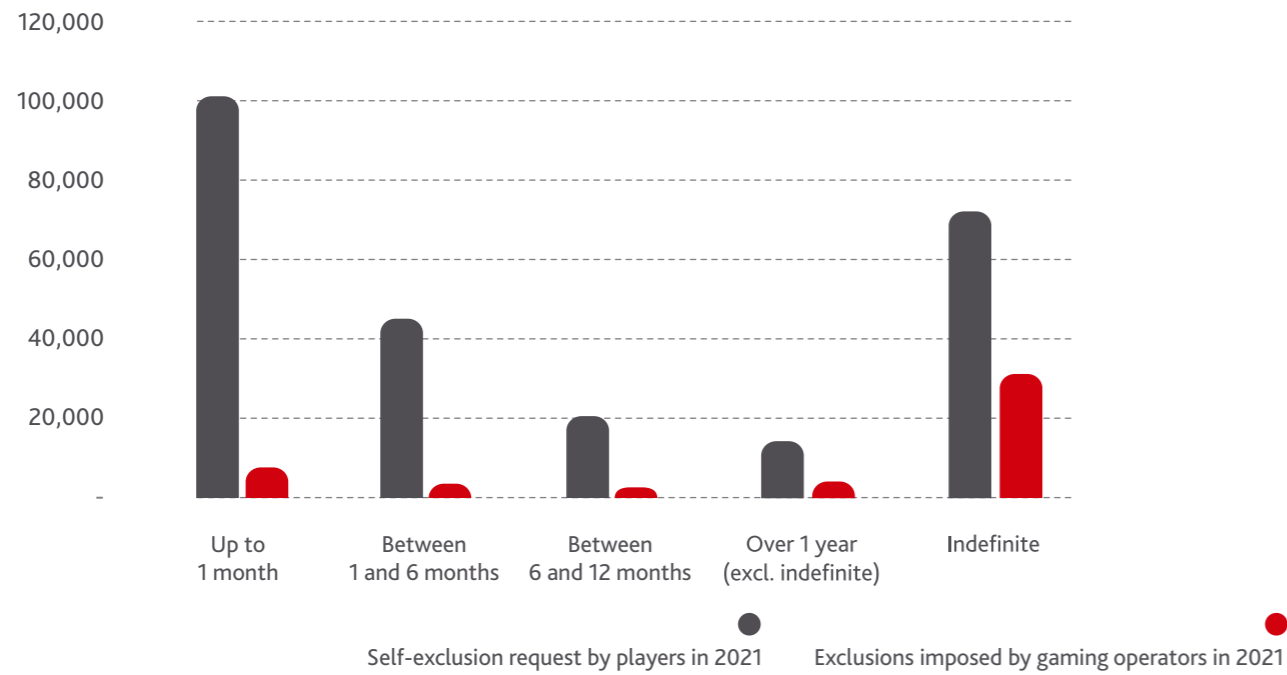


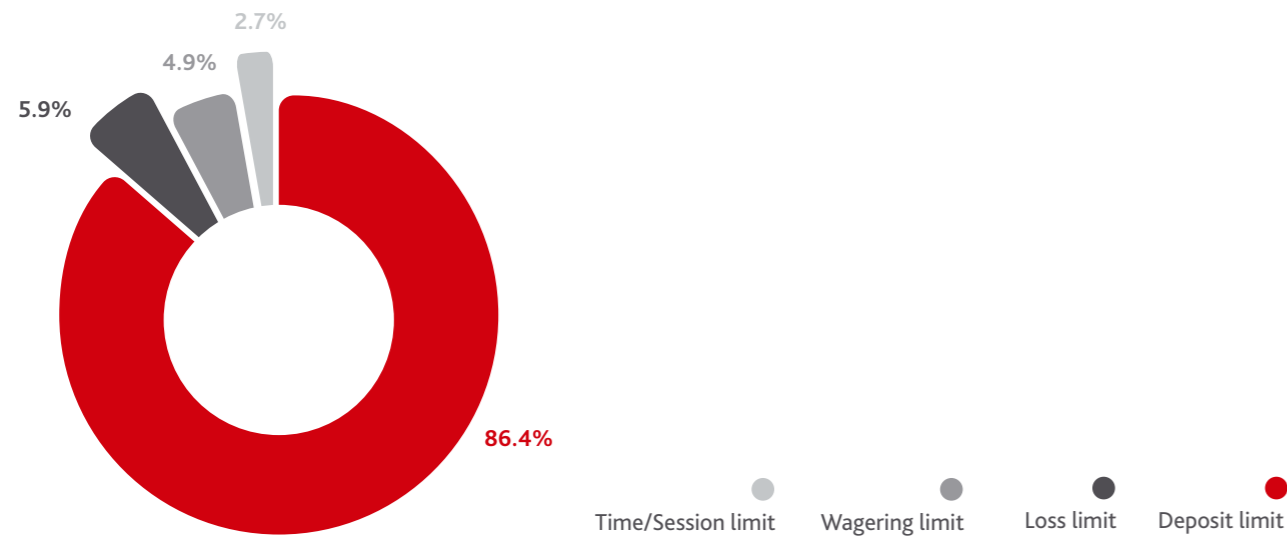
Chart 17: Online Gaming - Number of Self-Exclusion Requests

Analysing the age distribution of online players requesting self-exclusion, those aged between 25 and 34 remained the most likely to use the self-exclusion service, accounting for 39.9% of all requests that were made, followed by those within the 35–54 age category (35.2%) and the 18–24 age group (17.8%). The remaining 7.2% of exclusion requests pertained to those individuals aged 55+. In terms of gender distribution, in similarity with previous years, 71.2% of the self-exclusion requests were made by male players.

Number of Limits Set and Hit

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

During 2021, online players set over 11.1 million limits covering the four different limit categories, with the absolute majority of the total limits set pertaining to deposit limit (86.4%). During the same period, more than 10.4% of deposit limits set have been hit by the players, with the total hits during 2021 amounting to over 1.3 million.



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

Chart 18: Online Gaming - Limits Set Distribution

Methods of Payment for Deposits

The most popular method of deposit amongst customers of the MGA's licensed companies was bank transfer. This payment method accounted for 40% of all deposit methods. Deposits made through credit/debit cards accounted for 34.7% of all payments whilst deposits made through e-wallets and online accounts constituted 13.2% of the total deposits. The remaining 12.1% of payments were made through other methods.

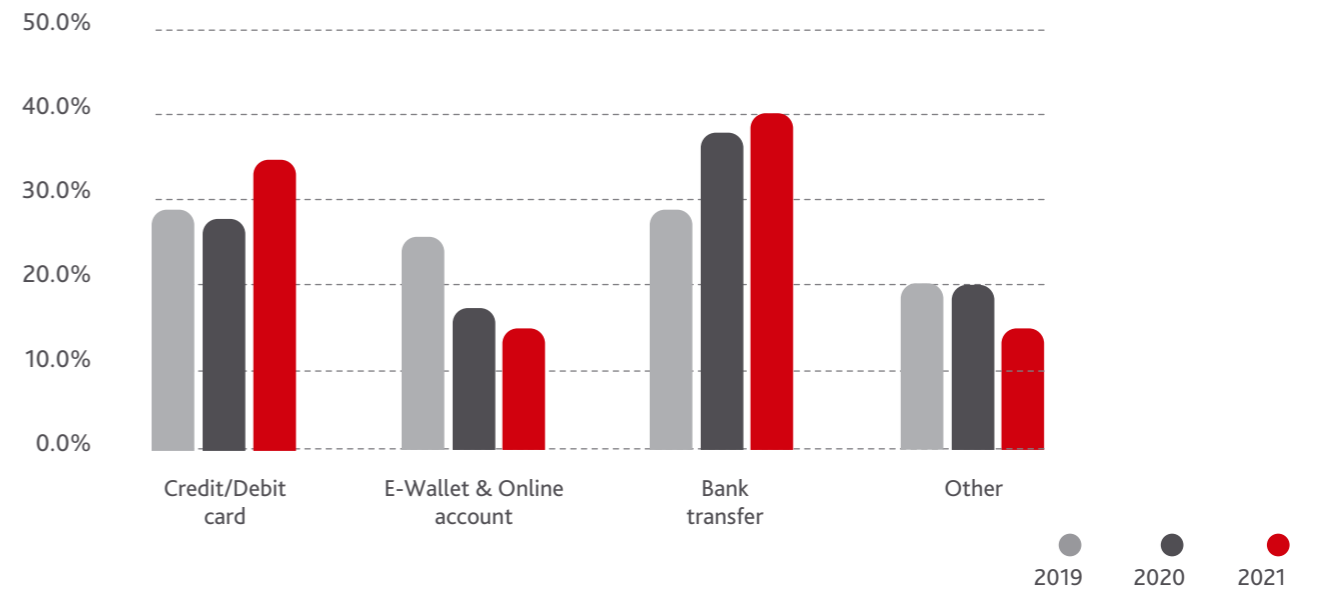


Chart 19: Online Gaming - Method of Payment (Deposits)

Methods of Withdrawal

Of all withdrawals made, 66.8% were through bank transfers. Online gaming operators indicated that credit/debit cards and e-wallets and online accounts were the chosen method for 15.5% and 14.7% of withdrawals respectively. The remaining 3% of the withdrawals were made through other methods, namely pre-paid vouchers and mobile payments.

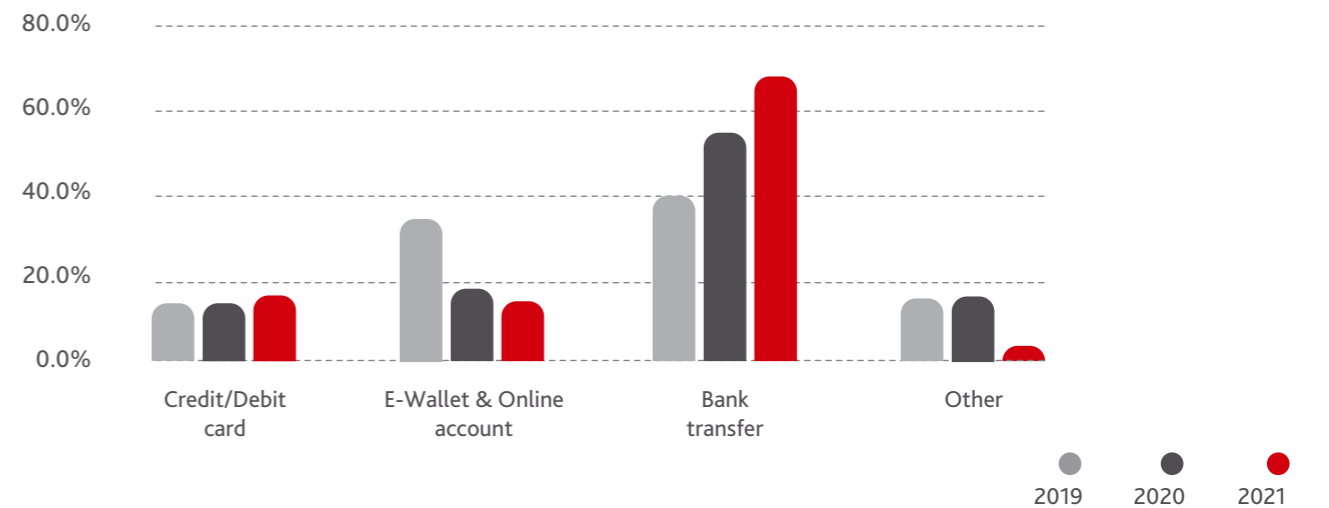
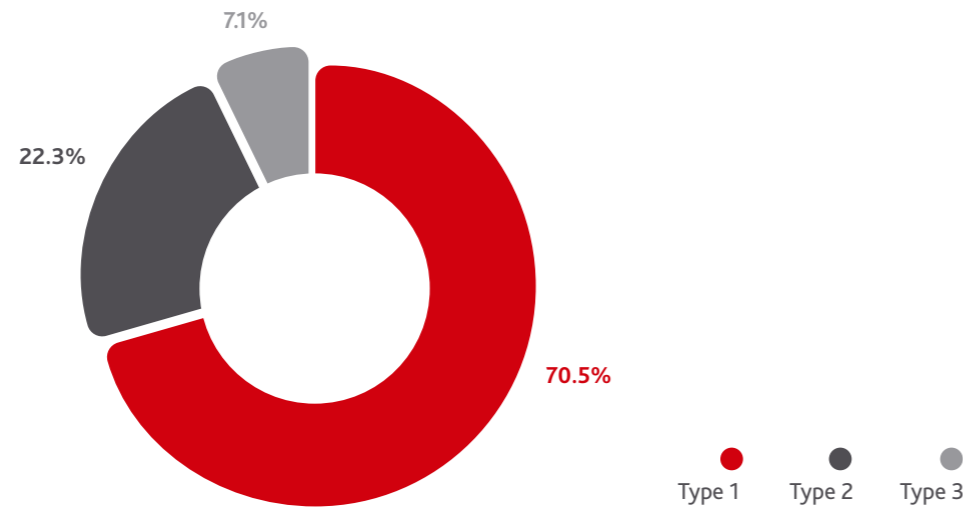


Chart 20: Online Gaming - Method of Payment (Withdrawals)

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

It is estimated that 70.5% of the total GR of the B2C licensees operating in the online industry was generated through gambling classified under the Type 1 group, an increase of almost 8.3 percentage points when compared with 2020. In contrast, the GR generated from games falling under the Type 2 category dropped by 6.4 percentage points, accounting for 22.3% of the total, and the share in GR of Type 3 games dropped from 9% to 7.1%.

The activity reported for the controlled skill games classified under Type 4 was minimal when compared with other game types and accounted for 1.6% of the total GR generated during 2021.



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

Chart 21: Online Gaming - GR Distribution by Game Type

The shift in the GR distribution between various game types over the years, as shown in the following chart, is attributed primarily to the behavioural changes of players in response to COVID-19. The complete cancellation of national leagues and major sporting events around the world in 2020 had a direct impact on the GR generated from Type 2 games, consequently this drove players to other types of games, resulting in further popularity of Type 1 games, which was sustained further in 2021.

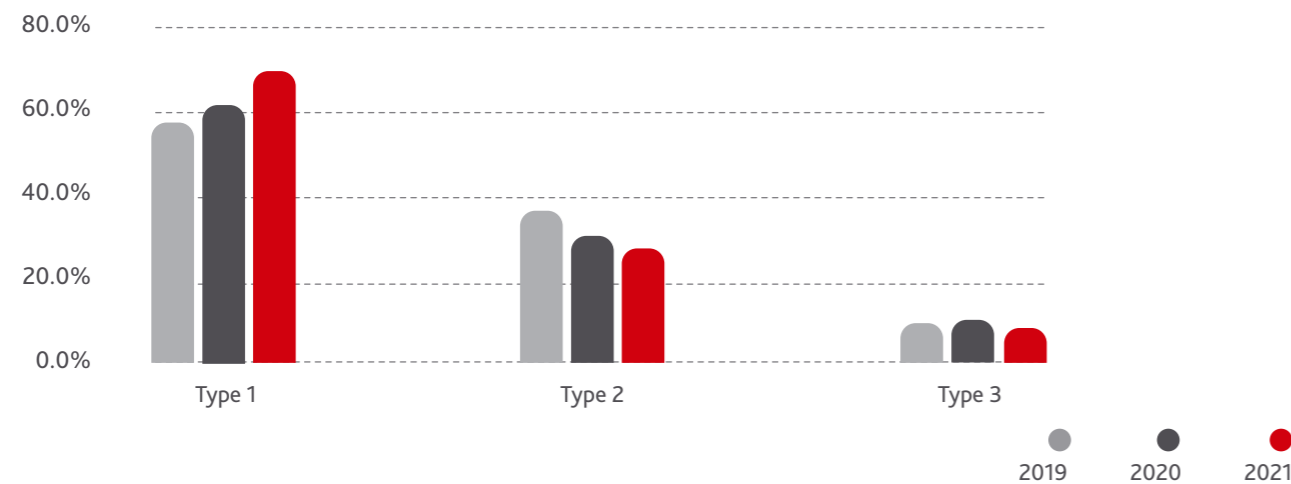


Chart 22: Online Gaming - GR Distribution by Game Type

Type 1 Games

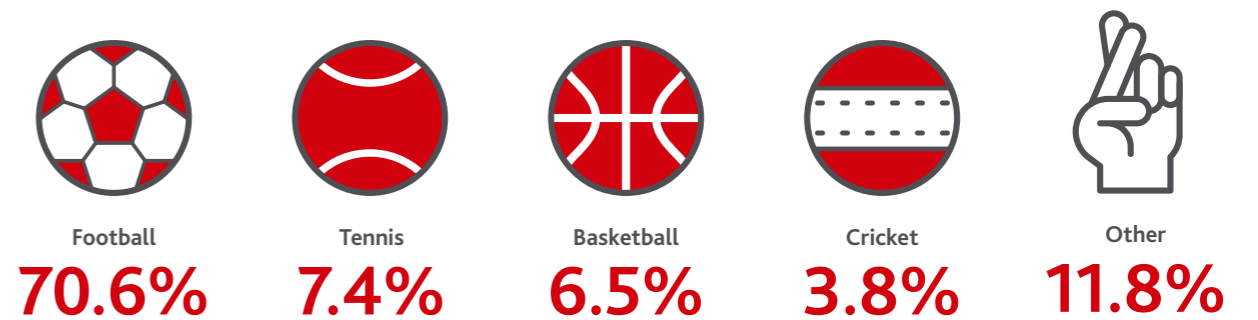
Out of the 70.5% of the total GR generated from online gaming, 79.7% was attributed to slot games whilst 13.7% was generated through table games. The remaining 6.4% of the GR for the Type 1 group was generated through other games, the most popular of which were secondary lotteries and virtual sports games.



Figure 15: Online Gaming - Type 1 Games - GR Distribution

Type 2 Games

When considering the GR generated from Type 2 game categories, the most popular type of sport remained football, generating the highest portion of GR from Type 2 games and standing at 70.6%. Bets on tennis accounted for 7.4% of the GR from Type 2 games, followed by 6.5% from basketball. The GR generated from cricket constituted 3.8%, while the remaining 11.8% of the GR was generated through other bets, including esports, betting on horses, golf, and motorsports.



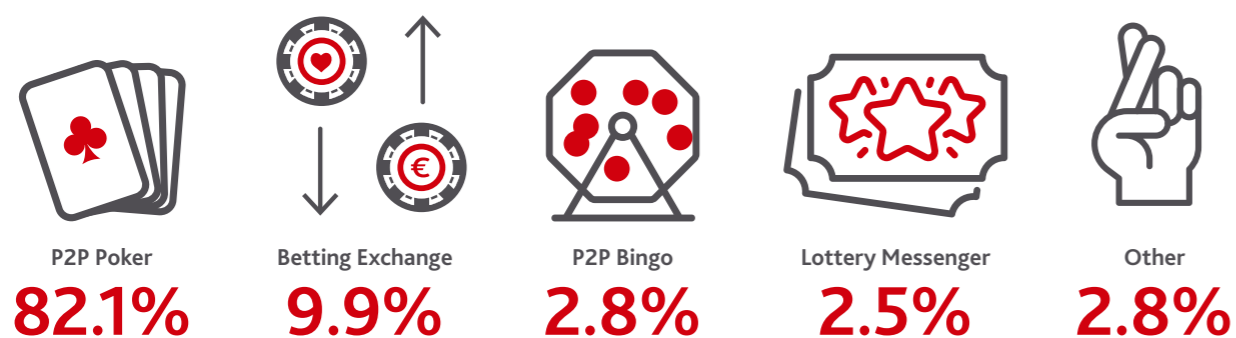
Note: The total percentage does not equal 100% due to rounding of figures

Figure 16: Online Gaming - Type 2 Games - GR Distribution

Type 3 Games

Although in 2020 Type 3 games became more popular, leading to an increase in its share to stand at 9.0%, during 2021 the level of GR generated from such games dropped back to the levels reported prior to 2020 and stood at 7.1%. In this context, it appears that the increase in GR for Type 3 games reported during 2020 was a temporary behavioural shift following the cancellation of national leagues and major sporting events.

When considering the GR generated from Type 3 games between January and December 2021, peer-to-peer (P2P) poker generated the major share, accounting for 82.1% of the total, resulting in a year-on-year drop of 7.1 percentage points. Betting exchange increased in popularity by 4.2 percentage points, generating 9.9% of the GR of Type 3 games. P2P bingo and lottery messenger remained at par with previous results, accounting for 2.8% and 2.5% respectively. The remaining 2.8% of the GR was generated by other games offered through Type 3 approval.



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

Figure 17: Online Gaming - Type 3 Games - GR Distribution

8. Online Gaming: Compliance Contribution

The amount of compliance contribution payable by the operators depends on the type of approval issued by the Authority, and it is strictly correlated with the GR generated during the licence period. The MGA collected dues owed in terms of the applicable legislation totalling €52.3 million.

	2019	2020	2021
Total [€]	47,255,180	50,103,870	52,304,032

Note: The above figures 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).

Table 39: Online Gaming - Compliance Contribution

9. Online Gaming: Employment

As at the end of December 2021, 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 9,919¹⁴.

	end-2019	end-2020	end-2021
Total	6,593	7,557	9,919

Table 40: Online Gaming - Employment (FTE)

In similarity with the levels reported in previous years, as at the end of 2021, 59.2% of all employees within the online gaming industry in Malta were male. The proportion of non-Maltese workers in the online gaming industry constituted 69.6% of all employees in this sector, further highlighting the need for expatriate workers to sustain the growth of the industry.

Disclaimer

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

This document does not, however, constitute commercial, legal or other advice howsoever described. The Malta Gaming Authority excludes any warranty and/or liability, expressed or implied, as to the quality, completeness, adequacy and accuracy of the information, statements and statistics contained within this document.

The MGA reserves the right to change and update the information, statements and statistics provided in the current and previous documents at its own discretion and without prior notifications as it may, in its discretion, deem necessary. The MGA assumes no responsibility for any consequences that may arise in the absence of such changes and/or updates.

¹⁴ This number refers to direct employees working on MGA-licensed activities. Kindly refer to Point 9 of the Methodology for more information.

APPENDIX 1: LIST OF TRAINING COURSES, CONFERENCES, AND EVENTS

LIST OF TRAINING COURSES, CONFERENCES AND EVENTS

TRAINING COURSES/WORKSHOPS

- > Above Board | The Roles and Responsibilities of Directors Workshop - EY Malta
- > AML/CFT Dimension on RegTech and Virtual Financial Assets - KPMG Learning Academy
- > AML/CFT Examination Workshop
- > Analysing and Visualising Data with Power BI - PwC Malta
- > Analytics in a Day - Eunoia
- > Artificial Intelligence
- > Best Practice Tool and Techniques to address Bribery and Corruption
- > Blended Mental Health First Aid Workplace - Richmond Foundation
- > Building powerful and compelling messages that stick
- > Business Risk Assessment: The Cornerstone of AML/CFT Obligations Explained
- > Business Risk Assessments and Jurisdictional Risk Assessments - KPMG Learning Academy
- > Capital Expenditure - Society Education
- > Certified Ethical Hacking Course
- > Combat Financial Crime with better Client Monitoring
- > Company Liquidation - Society Education
- > Contemporary Approaches to Compliance
- > Contribution and Third Pillar Pensions - Society Education
- > Course for Data Protection Officers/Leads - Advisory21
- > Customer Due Diligence - Meeting Regulatory Expectations - Society Education
- > Debt Collection Presentaton and Overview by Dr Kirk Brincau – Society Education
- > Disability, Equality and Recruitment - Malta Employers Association (MEA)
- > EBR Process Overview
- > Economic and Financial Strategies for Targeting Criminal Assets to Reduce Organised Crime - Guardia di Finanzia
- > Effective Business Writing
- > EU Digital Operational Resilience Act (DORA) and related implications that go beyond the Financial Services Industry
- > Fundamental of Finance for Non Accountants - Society Education
- > How Business will change their Tact after the Corona Virus Pandemic, Malta Institute of Accountants (MIA)
- > HR - Payroll and Legal Aspect - Malta Institute of Accountants (MIA)
- > ICA Certificate in Compliance - International Compliance Association (ICA)
- > Identity Innovations across a Range of Industries
- > IFRS Referresher - KPMG Learning Academy
- > Internally organised Training Workshops on Various Regulatory Topics - Malta Gaming Authority (MGA)
- > International Policies to Fight Money Laundering and Terrorist Financing - Guardia di Finanzia
- > Interpreting Financial Statements - Society Education
- > Introductory training on AML/CFT
- > Is my auditor too sceptical? Understanding auditor expectations to increase audit efficiency - KPMG Learning Academy
- > Keeping Companies and Players Safe Seminar
- > Kickstarting digital culture in a changing world
- > Malta Tax Updates - KPMG Learning Academy
- > Management Accounts - Society Education
- > Managing People at Work - Society Education
- > Mastering Presentation Skills - Society Education
- > MBR Obligations
- > Microsoft Certified Dynamics 365 Fundamentals Certification
- > Microsoft Forms
- > Microsoft Lists
- > Microsoft Power Platform Training: Microsfot Power BI (Basic Level) - MITA
- > New frontier in AI and Compliance
- > New Frontiers in Risk and Compliance - International Compliance Association (ICA)
- > On the Agenda - An overview of Malta's Action plan to exit the 'grey list' - Malta Institute of Accountants (MIA)
- > Optimising Performance Management in a Culture First Way - Culture AMP

- > Property Taxation
- > Reporting of Wrongdoing as a Key Leverage to Prevent and Fight Corruption and Crimes in the Sport Sector: the Role of Specialized Competencies, T-PREG, ASAG Catholic University, European Commission
- > Risk management for CSP's
- > Risk Perceptions
- > Seminar on Cloud Computing and Big Data Network Building & Development Strategy for Developing Countries, Language Training Section
- > Statement of Cash Flows: A Practical Perspective - KPMG Learning Academy
- > Talent Outlook 2021 - Universum
- > Tax and Crime Global Project – Guradia di Finanzia
- > Taxation of Foreign Sourced Income – Malta – Society Education
- > Teams Breakout
- > The FIAU Implementing Procedures Part 1 - Financial Intelligence Analysis Unit (FIAU)
- > The Highly Qualified Persons Rules - Malta Institute of Accountants (MIA)
- > The Role of Artificial Intelligence in Player Protection and Compliance
- > Top Leadership skills needed in today's remote work environment - Culture AMP
- > Training and Development in Leadership and Management - Mdina Partners
- > Transaction Monitoring, What it is and why do it? What is the future of TM?
- > Typologies & Red Flags: Indicators of Tax-Related ML - Financial Intelligence Analysis Unit (FIAU)
- > UpToSpeed 2021 - EY Malta
- > VAT Introductory Course and Advanced Course - Malta Institute of Accountants (MIA)
- > VAT Updates 2020 - 2021 - EY Malta
- > Webinar on the Implementing Procedures Part II for CSPs - Financial Intelligence Analysis Unit (FIAU)
- > What is Good Governance?- ISACA Malta Chapter
- > Workshop on Information Sharing between FIUs/Supervisory Agencies/LEAs (Virtual) - Egmont ECPFEL

CONFERENCES/WEBINARS

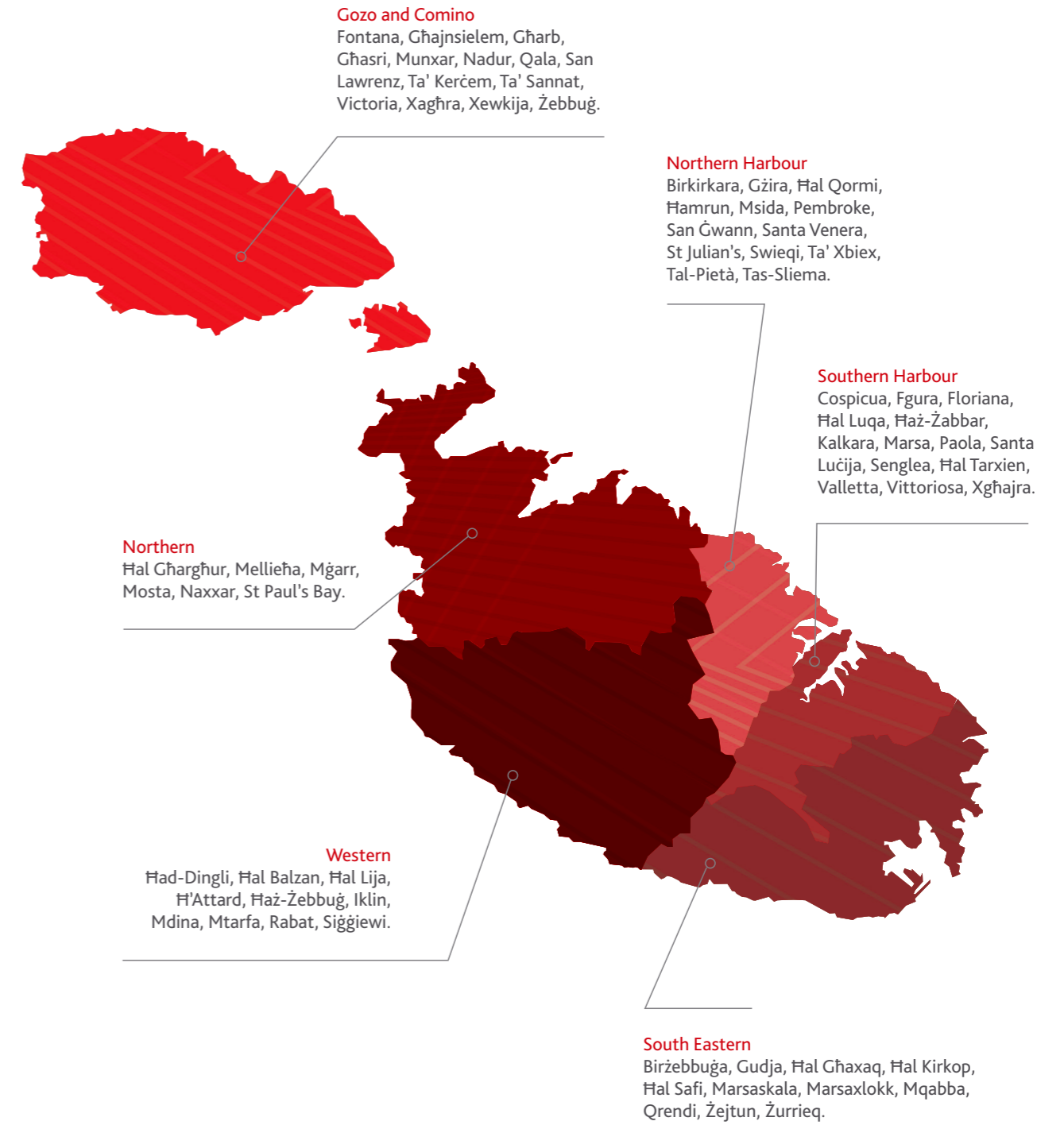
- > 14th United Nations Congress on Crime Prevention and Criminal Justice on "Safeguarding sport from Corruption and Crime" - United Nations Office on Drugs and Crime (UNODC)
- > 4th Safer Gambling Conference - National Betting Authority of Cyprus
- > A Practical Approach to GDPR For Businesses (Online) - Malta Institute for Accountants (MIA)
- > Accounting in the Gaming Industry – An Inside Look - Malta Institute of Accountants (MIA)
- > Adverse Media Screening – How to cut Exposure to Criminal Activity, from Money Laundering to Human Trafficking - A Team Insight
- > An Introduction to Cryptocurrency - Sports Betting Integrity Forum (SBIF)
- > An Overview of Anti-Money Laundering Regulation Of Crypto-Assets (Online) - Malta Institute of Accountants (MIA)
- > Aspects of Maltese Company Law Conference
- > Budget Overview 2022 - Malta Institute of Accountants (MIA)
- > Business value throughout the corporate life cycle (Online) - Malta Institute of Accountants (MIA)
- > Casino Audit: Revenue, Table Games, Slots, & Cage - International Center for Gaming Regulation, University of Nevada, Las Vegas (UNLV)
- > Chasing a Moving Target | Financial Crime Regulatory Updates - EY Connect Learning
- > CIPD Annual Conference and Exhibition
- > Clue User Conference 2021
- > CoinGeek Conference - Zurich
- > Company Obligations & Electronic Signatures - Malta Business Registry
- > Conference on Alternative Dispute Resolution - MCCA
- > Consumer Protection and Online Gambling: An Overview of the Regulations in various EU Countries - The European Gaming and Betting Association (EGBA)
- > Consumers First: Centralizing RG Initiatives for the U.S. Mobile Wagering Marketplace - American Gaming Association
- > Continuity Post Pandemic: A Pragmatic Perspective - EY Malta
- > Creating Real Value out of Operational Risk Management - Bank of Valletta (BOV)
- > Data Protection Day Webinar - Ministry for Justice, Equality and Governance (MJEG)
- > Deferred Taxation: The accrual that need not be feared - Malta Institute of Accountants (MIA)
- > DSA Discussions w/ Google: Categorization of intermediaries- Google
- > DSA Discussions w/ Google: User Transparency and Redress Measures - Google

- > Employee Engagement and Performance Management Conference
- > FHRD Annual Conference
- > Financial Crime Compliance in the EU, Risk-Based Approach, AMLA and Beyond - Malta Financial Services Authority (MFSA)
- > Fintech in Europe and in Malta: The trends and a regulatory perspective - Institute of Financial Services
- > Fostering an Enduring Compliance Culture in Malta - ARQ Group and Malta Bankers Association (MBA)
- > ICE & iGB Affiliate London 2022 - COVID-19 Webinar
- > IFRS11: Joint Arrangement - Malta Institute of Accountants (MIA)
- > iGaming Entities: An Auditor's Practical Guide (Online) - Malta Institute of Accountants (MIA)
- > iGB Live seminar in Amsterdam
- > Investigating Fraud Webinar- Overcoming Data and Technology Barriers in Public and Private Sector Fraud Investigations - Clue
- > ISACA Malta Chapter Virtual Educational Event - Big data analytics: Time to reconsider your GDPR obligations
- > ISACA Malta Chapter Virtual Educational Event - Blockchain and Smart Contracts: Immutable Security Concerns
- > ISACA Malta Chapter Virtual Educational Event - Creating collective intelligence in secure IoT Environment
- > ISACA Malta Chapter Virtual Educational Event - Investigating cybercrime involving stealthy attacks on smartphones
- > ISACA Malta Chapter Virtual Educational Event - Unlocking the Power of Diversity and Inclusive Culture
- > IT Audit & IT Auditors: An Introduction - Malta Institute of Accountants (MIA)
- > Land-based Casinos: Reopening for a Successful Recovery and Sustainable Future - iGB webinars
- > Malta's efforts to exit the FATF 'grey list' - Malta Institute of Accountants (MIA)
- > Match Fixing and Integrity - The European Association for the Study of Gambling (EASG)
- > Modern intranet planning: What it takes for 2022 - interact
- > Non Current Assets Under IFRS - Malta Institute of Accountants (MIA)
- > Online Sportsbook Management - iGaming Academy
- > Online: Retail Sports Book Operations Seminar - International Center for Gaming Regulation, University of Nevada, Las Vegas (UNLV)
- > Problem Gambling and COVID-19, the ins and outs! - The European Association for the Study of Gambling (EASG)
- > Protecting The Organisation: Internal Audit's Role in Internal Investigations - Malta Institute of Accountants (MIA)
- > Reporting of Wrongdoing as a Key Leverage to Prevent and Fight Corruption and Crimes in the Sport Sector: the Role of Specialized Competencies. - Unioncamere Europa in coordination with KU Leuven University as part of T-PREG Project which is funded by the European Commission through its Erasmus + Sport Programme.
- > Safer Gambling Week - iGaming European Network (iGEN)
- > SIGA Sports Integrity Week 2021
- > Sustainability and Economics - EY Malta
- > Sustainable Gambling Conference - Kindred Group
- > Taxation & Prevention of Money Laundering (Online) Malta Institute of Accountants (MIA)
- > The Digital Services Act - Making the internet fair again - Part II: More liability, less advertising! - German Federal Ministry of Justice and Consumer Protection
- > The Future of Gambling Post Covid-19: Responding to Emerging Technology, Protecting Vulnerable Groups & Promoting Social Responsibility after Lockdowns - Public Policy Exchange
- > The role of the MLRO: Tracking Moving Targets (Online) - Malta Institute of Accountants (MIA)
- > The VAT Conference 2021
- > The VAT Implications of Supplies of Goods - Malta Institute of Accountants (MIA)
- > The VAT Implications of Supplies of Services - Malta Institute of Accountants (MIA)
- > The White Paper on Cannabis – Implication for the Workplace - Malta Employers Association (MEA)
- > TransUnion's 2021 igaming fraud trends - iGB webinars
- > VAT Updates 2020-2021
- > Vertex Summit Responsible Gaming
- > Webinar on Risk-Based Supervision - Financial Action Task Force (FATF)
- > Webinar on the Enforcement Factsheet - Financial Intelligence Analysis Unit (FIAU)
- > Who will win the EURO 2020? Betting on innovation to protect the beautiful game - The European Gaming and Betting Association (EGBA) and the International Betting Integrity Association (IBIA)

LOCAL AND FOREIGN EVENTS

- > SiGMA 2021, Malta
- > #Highlights 2021 VAT|Crypto|AML - Malta Institute of Accountants (MIA), Malta
- > iGaming Next Conference, Malta
- > SBC Summit, Barcelona
- > 4th Annual Cyprus Gaming Show - Eventus International

APPENDIX 2: STATISTICAL REGIONS AND DISTRICTS OF MALTA



FINANCIAL STATEMENTS 31 DECEMBER 2021

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GENERAL INFORMATION

Registration

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

Board of Governors of the Authority

Dr Ryan C. Pace, Chairperson
Carmen Ciantar
Roberto Francalanza
Caesar Grech
Juliana Scerri Ferrante
Ruth Trapani Galea Feriol

Chief Executive Officer

Dr Carl Brincat

Secretary of the Board of the Authority

Adrian Caruana

Head Office

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

Auditor

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

REPORT OF THE BOARD OF GOVERNORS OF THE AUTHORITY

The Board of Governors of the Authority (hereinafter referred to as the 'Board of the Authority') submit their annual report and the audited financial statements for the year ended 31 December 2021.

Principal activity

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

Results

The operating revenue including the release of unclaimed player funds generated by the Authority during the year amounted to EUR81,351,770 (2020: EUR78,655,770). After deducting all expenditure the Authority registered a surplus for the year of EUR69,601,539 (2020: EUR66,515,327). The Authority transferred EUR71,288,646 (2020: EUR67,873,453) to the Government of Malta.

Board of Governors of the Authority

The members of the Board of the Authority who acted in such position during the year under review are listed on page 92.

Chairperson

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

Auditors

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

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



Dr Ryan C. Pace
Chairperson



Caesar Grech
Board Member

16 March 2022

INDEPENDENT AUDITOR'S REPORT to the Board of Governors of Malta Gaming Authority Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Authority, which comprise the statement of financial position as at 31 December 2021 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies on pages 96-111.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the Gaming Act, Chapter 583 of the Laws of Malta.

Basis for opinion

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

Other information

The other information obtained at the date of the auditor's report is the 2021 Board of Governors Report. The Board of the Authority is responsible for the other information.

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

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

Board of Governors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility

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

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

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

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

The partner in charge of the audit resulting in this independent auditor's report is

Shawn Falzon
for and on behalf of
Ernst & Young Malta Limited
Certified Public Accountants

16 March 2022

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2021

	Notes	2021 EUR	2020 EUR
REVENUE	5	79,509,859	77,311,474
Administrative and other expenses	6	(11,611,769)	(12,083,032)
OPERATING SURPLUS		67,898,090	65,228,442
Release of unclaimed player funds		1,841,911	1,344,296
Decrease in provision for claims	14	-	82,366
Finance income	8	687	109
Finance costs	17	(139,149)	(139,886)
SURPLUS FOR THE YEAR		69,601,539	66,515,327

The accounting policies and explanatory notes on pages 100 to 111 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION as at 31 December 2021

	Notes	2021 EUR	2020 EUR
ASSETS			
Non-current assets			
Intangible assets	10	313,453	607,977
Property, plant and equipment	11	5,983,850	6,735,590
		6,297,303	7,343,567
CURRENT ASSETS			
Trade and other receivables	12	4,694,725	6,146,952
Cash at bank and in hand	16	12,530,178	10,760,742
		17,224,903	16,907,694
TOTAL ASSETS		23,522,206	24,251,261
EQUITY AND LIABILITIES			
Equity reserve	13	250,000	250,000
Reserve Fund	13	3,270,795	4,103,922
Unclaimed Prizes Reserve	13	-	-
		3,520,795	4,353,922
NON-CURRENT LIABILITIES			
Provisions for claims	14	790,000	790,000
Finance lease liabilities	17	3,350,115	3,435,998
		4,140,115	4,225,998
CURRENT LIABILITIES			
Trade and other payables	15	15,536,446	15,390,531
Finance lease liabilities	17	324,850	280,810
		15,861,296	15,671,341
TOTAL LIABILITIES		20,001,411	19,897,339
TOTAL EQUITY AND LIABILITIES		23,522,206	24,251,261

The accounting policies and explanatory notes on pages 100 to 111 form an integral part of the financial statements.

The financial statements on pages 96 to 111 have been authorised for issue by the Board of the Authority on 16 March 2022 and were signed on their behalf by:


Dr Ryan C. Pace
Chairperson


Caesar Grech
Board Member

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	Unclaimed Prizes Reserve EUR	Reserve Fund EUR	Equity reserve EUR	Total EUR
At 1 January 2021	-	4,103,922	250,000	4,353,922
Appropriation from statement of comprehensive income	979,026	68,622,513	-	69,601,539
Unclaimed prizes transferred in terms of the Gaming Act, Chapter 583 of the Laws of Malta and the applicable regulatory instruments issued thereunder	853,980	-	-	853,980
Payments made to/or on behalf of Government in terms of the Gaming Act, Chapter 583 of the Laws of Malta and the applicable regulatory instruments issued thereunder	(1,833,006)	(69,455,640)	-	(71,288,646)
At 31 December 2021	-	3,270,795	250,000	3,520,795
At 1 January 2020	-	4,888,129	250,000	5,138,129
Appropriation from statement of comprehensive income	788,871	65,726,456	-	66,515,326
Unclaimed prizes transferred in terms of the Gaming Act, Chapter 583 of the Laws of Malta and the applicable regulatory instruments issued thereunder	573,919	-	-	573,919
Payments made to/or on behalf of Government in terms of the Gaming Act, Chapter 583 of the Laws of Malta and the applicable regulatory instruments issued thereunder	(1,362,790)	(66,510,663)	-	(67,873,453)
At 31 December 2020	-	4,103,922	250,000	4,353,922

The accounting policies and explanatory notes on pages 100 to 111 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	Notes	2021 EUR	2020 EUR
OPERATING ACTIVITIES			
Surplus for the year		69,601,539	66,515,327
<i>Adjustment to reconcile surplus for the year to net cash flows</i>			
<i>Non-cash:</i>			
Depreciation of property, plant and equipment		644,810	541,458
Amortisation of intangible assets		381,079	377,628
Grant amortisation		(195,615)	(195,615)
Depreciation of right-of-use asset		391,869	366,326
Increase in provision for doubtful debts		136,440	308,465
Increase/(Decrease) in provision for claims		-	(82,366)
Finance income		(687)	(109)
<i>Working capital adjustments:</i>			
Decrease in trade and other receivables		1,315,787	801,648
Increase/(Decrease) in trade and other payables		57,034	(232,224)
Net cash flows from operating activities		72,332,256	68,400,538
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(42,286)	(266,863)
Purchase of intangible assets		(86,555)	(132,218)
Interest received		687	109
Net cash flows used in investing activities		(128,154)	(398,972)
FINANCING ACTIVITIES			
Receipts on behalf of Government		853,980	573,919
Payments made to Government		(71,288,646)	(67,873,453)
Net cash flows used in financing activities		(70,434,666)	(67,299,534)
Net movement in cash and cash equivalents		1,769,436	702,032
Cash and cash equivalents at 1 January		10,760,742	10,058,710
Cash and cash equivalents at 31 December	16	12,530,178	10,760,742

The accounting policies and explanatory notes on pages 100 to 111 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

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

2.1 Basis of Preparation

These financial statements have been prepared on a historical cost basis and are presented in Euro. The financial statements have been prepared on a going concern basis which assumes that the Authority will be able to meet its financial obligations as and when they fall due.

Statement of compliance

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

2.2 Changes in Accounting Policies and Disclosures

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

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

- > Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2 (issued on 27 August 2020); and
- > Amendments to IFRS 16 Leases: Covid-19 - Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021).

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

Several other amendments and interpretations apply for the first time in 2021, but do not have an impact on the financial statements of the Authority. The Authority has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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

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

- > Amendment to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020)

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

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

The new and amended standards follow:

- > Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively);
- > Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021);
- > Amendments to IAS 1: Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued on 12 February 2021); and
- > Amendments to IAS 8: Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021).

3. Summary of Accounting Policies

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

Revenue recognition

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

LICENCES

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

APPLICATION FEES

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

COMPLIANCE CONTRIBUTION AND LEVIES

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

PENALTIES AND OTHER FEES

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

INTEREST INCOME

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

Trade and other receivables

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

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

Impairment of financial assets

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

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

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

Cash and cash equivalents

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

3. Summary of Accounting Policies - *continued*

Grant

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

Trade and other payables

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

Amounts due to related parties are carried at cost.

Intangible assets

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

Computer software	%
	25

Property, plant and equipment

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

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

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

Leases

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

RIGHT-OF-USE ASSETS

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

3. Summary of Accounting Policies - *continued*

LEASE LIABILITIES

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

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

4. Significant Accounting Judgements, Estimates and Assumptions

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

Provisions for claims and contingent liabilities

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

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

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

5. Revenue

Revenue comprises the following:

	2021	2020
	EUR	EUR
License fees	9,313,516	8,453,770
Application fees	265,000	295,000
Other revenue	1,327,606	3,523,286
Total Authority fees	10,906,122	12,272,056
Compliance contribution and levies	68,603,737	65,039,418
Total revenue	79,509,859	77,311,474

5. Revenue - continued

As at year ended 31 December 2021, the Authority also issued Notices governing administrative penalties amounting to EUR93,000 (2020: EUR189,500) which became or will become due through the issuance of the subsequent and final enforcement measure. The fees generated will be recognized as income once the Authority's position is confirmed.

Number of licences in issue at end of year:

	2021	2020
	No.	No.
Commercial bingo houses	4	4
Casinos	4	4
Gaming parlours	64	60
National lotteries	1	1
Remote online gaming licences	341	318
Total number of licenses at end of year	414	387

6. Expenses by Nature

	2021	2020
	EUR	EUR
Auditor's remuneration	26,550	26,550
Chairman's emoluments and Board honoraria (note 18)	73,535	49,876
Staff costs (note 7)	7,161,461	7,214,566
General administrative expenses	1,050,531	1,120,404
Professional fees	576,589	808,042
Promotional expenses	128,592	409,705
Depreciation and amortisation on property, plant and equipment and intangible fixed assets (notes 10 and 11)	1,222,143	1,118,734
Provision for doubtful debts (note 12)	136,440	308,465
Contributions to other entities	1,235,928	1,026,690
Total administrative and other expenses	11,611,769	12,083,032

7. Employee Information

a. Staff costs

The total employment costs were as follows:

	2021	2020
	EUR	EUR
Salaries	6,412,602	6,472,721
Social Security costs	432,425	419,059
Fringe benefits	163,121	163,311
	7,008,148	7,055,091
Other related costs	153,313	159,475
	7,161,461	7,214,566

b. Staff numbers

The number of persons employed by the Authority as at 31 December 2021 and 31 December 2020 were as follows:

	2021	2020
	No.	No.
	168	176

8. Finance Income

Interest receivable on bank balances

	2021	2020
	EUR	EUR
	687	109

9. Taxation

No provision for Malta income tax has been made in these financial statements as the Authority's income is exempt from any liability to income tax in terms of article 37 of the Gaming Act Cap. 583 of the Laws of Malta.

10. Intangible Fixed Assets

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

	Computer Software
	EUR
Cost	
At 1 January 2020	2,035,937
Additions	<u>132,218</u>
At 31 December 2020	2,168,155
Additions	<u>86,555</u>
At 31 December 2021	<u>2,254,710</u>
Amortisation	
At 1 January 2020	1,182,550
Amortisation for the year	<u>377,628</u>
At 31 December 2020	1,560,178
Amortisation for the year	<u>381,079</u>
At 31 December 2021	<u>1,941,257</u>
Net book value	
At 31 December 2021	313,453
At 31 December 2020	<u>607,977</u>

11. Property, Plant and Equipment

11.1 Property, plant and equipment owned by the Authority

	Leasehold Improvements	Furniture and fittings	Office equipment	Motor vehicles	Computer equipment	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Cost						
At 1 January 2020	3,114,396	1,576,957	532,971	151,128	1,069,038	6,444,490
Additions	-	1,989	7,205	136,896	120,773	266,863
Disposals	-	(4,224)	-	-	(30,138)	(34,362)
At 31 December 2020	3,114,396	1,574,722	540,176	288,024	1,159,673	6,676,991
Additions	-	4,524	6,389	-	31,373	42,286
Disposals	-	-	-	(103,296)	(3,733)	(107,029)
At 31 December 2021	<u>3,114,396</u>	<u>1,579,246</u>	<u>546,565</u>	<u>184,728</u>	<u>1,187,313</u>	<u>6,612,248</u>
Depreciation						
At 1 January 2020	930,854	687,312	468,115	147,585	646,178	2,880,044
Depreciation charge for the year	204,139	173,389	32,995	10,385	120,550	541,458
At 31 December 2020	1,134,993	860,701	501,110	157,970	766,728	3,421,502
Depreciation charge for the year	204,139	173,740	33,278	27,379	206,274	644,810
Release on disposal	-	-	-	(103,296)	(3,733)	(107,029)
At 31 December 2021	<u>1,339,132</u>	<u>1,034,441</u>	<u>534,388</u>	<u>82,053</u>	<u>969,269</u>	<u>3,959,283</u>
Net book value						
At 31 December 2021	1,775,264	544,805	12,177	102,675	218,044	2,652,965
At 31 December 2020	1,979,405	714,021	39,066	130,054	392,945	3,255,491

11. Property, Plant and Equipment - *continued*

11.2 Right-of-use asset – Leasehold property

	2021 EUR	2020 EUR
Cost at 1 January	4,212,752	4,212,752
Impact of lease modification	242,655	-
Cost at 31 December	4,455,407	4,212,752
Depreciation for the year	391,869	366,326
Accumulated depreciation at 31 December	1,124,522	732,653
Net book value at 31 December	3,330,885	3,480,099

12. Trade and Other Receivables

	2021 EUR	2020 EUR
Compliance contribution, levies and licences receivable and accrued income (note i,ii,iii)	4,316,405	5,604,584
Prepaid expenses	211,439	375,487
Deposits and other receivables	166,881	166,881
	4,694,725	6,146,952

- (i) At 31 December 2021, Compliance Contribution, Levies and Licences receivable at nominal value of EUR3,034,098 (2020: EUR2,897,658) were impaired and fully provided for (Note 12).

Provision for doubtful debts

	2021 EUR	2020 EUR
Opening balance	2,897,658	2,589,193
Increase in provision for doubtful debts	136,440	308,465
Closing balance	3,034,098	2,897,658

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

	Total EUR	Neither past due nor impaired EUR	PAST DUE			
			<30 days EUR	31-60 days EUR	61-90 days EUR	>90 days EUR
2021	4,316,405	3,932,969	86,671	78,781	11,110	206,874
2020	5,604,584	5,154,184	125,456	264,719	43,921	16,304

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

13. Reserves

a. Equity reserve

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

b. Reserve fund

The Reserve Fund represents accumulated excess of revenue over expenditure.

c. Unclaimed prizes reserve

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

14. Provisions for Claims and Contingent Liabilities

Provision for claims

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

Contingent liabilities

In 2016, an operator had initiated legal proceedings against the Authority disputing new licences issued by the Authority. The case is still pending in front of the court and a reliable estimate of a potential claim against the Authority cannot be made. Accordingly, no provision for any liability has been made in these financial statements.

In 2021, an appeal to revoke the decision of the Authority on due diligence matters was filed with the Administrative Review Tribunal. Claims for damages relating to loss from potential profits were included in such appeal. The Authority is contesting these claims and continues to follow the advice of its legal counsel. Court proceedings are in the initial stages and any potential claim for damages cannot be reliably estimated. Accordingly, no provision for any liability has been made in these financial statements.

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

15. Trade and Other Payables

	2021 EUR	2020 EUR
Unclaimed player funds (note i)	8,599,573	7,600,424
Deferred income	4,353,018	5,433,932
Advances received from operators	962,097	992,756
Trade and other payables	1,110,144	777,636
Accruals	511,614	585,783
	15,536,446	15,390,531

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

16. Cash and Cash Equivalents

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

	2021 EUR	2020 EUR
Cash at bank and in hand	12,530,178	10,760,742

17. Finance Lease Liabilities

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

	2021 EUR	2020 EUR
<i>Current</i>		
Finance lease liabilities (i)	324,850	280,810
<i>Non-current</i>		
Finance lease liabilities (i)	3,350,115	3,435,998

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

18. Related Party Disclosure

Related party	Year	Total transactions with related parties EUR	Amounts owed to related parties at year end EUR	Type of transaction EUR
Government of Malta - The Treasury	2021	71,288,646	-	Payments made to/on behalf of government
Government of Malta - The Treasury	2020	67,873,453	-	Payments made to/on behalf of government

Key management personnel

The Chairperson and the Board of the Authority are considered to be key management personnel. Included in 'Administrative and other expenses' (note 6) are salaries paid to the Chairperson and Board amounting to EUR73,535 (2020: EUR49,876).

19. Financial Risk Management Objectives and Policies

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

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

19. Financial Risk Management Objectives and Policies - *continued*

Contractual maturity profile of financial liabilities

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

Credit risk

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

Liquidity risk

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

Fair values

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

Interest rate risk

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

SUPPLEMENTARY STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

Administrative and Other Expenses

	31 December 2021		31 December 2020	
	EUR	EUR	EUR	EUR
Salaries and national insurance	7,161,461		7,214,566	
Training	94,030		49,285	
Other staff costs	22,929		8,270	
Staff and ancillary costs		7,278,420		7,272,121
Chairman's emoluments and board honoraria	73,535		49,876	
Telecommunications	36,930		43,885	
IT and Ancillary Costs	402,381		474,302	
Water and electricity	39,559		34,057	
Insurance and licences	80,350		70,949	
Postage, stationery and printing	17,240		22,178	
Office expenses	17,509		23,689	
Motor vehicle running expenses	41,718		42,699	
Bank charges	9,527		11,036	
Cleaning expenses	5,874		7,582	
Subscriptions	133,506		147,613	
Repairs and maintenance	122,183		137,954	
Business development expenses	6,077		4,516	
Overseas travelling	14,942		39,264	
Seminars and conferences	5,776		3,125	
General administrative expenses		1,007,107		1,112,725
Professional fees	199,875		202,853	
Auditors' remuneration	26,550		26,550	
Due diligence consultancy fees	344,889		580,904	
Legal fees	31,823		31,255	
Professional fees		603,139		841,562
Promotional expenses		128,592		402,735
Depreciation and amortisation		1,222,143		1,118,734
Provision for doubtful debts		136,440		308,465
Contributions to other entities		1,235,928		1,026,690
		<u>11,611,769</u>		<u>12,083,032</u>

NOTES

WWW.MGA.ORG.MT

Malta Gaming Authority
Building SCM 02-03, Level 4, SmartCity Malta, Ricasoli SCM1001, Malta
T. +356 2546 9000 E. info@mga.org.mt

