The Maltese Land-based and Remote Gaming Industry

January – June 2018

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1 The Malta Gaming Authority – An Introduction

The Malta Gaming Authority (MGA) is the regulatory body responsible for the governance and supervision of all gaming activities in and from Malta. Malta's gaming regime is based on fair, responsible, safe and secure provision of gaming services and seeks to ensure that the three main pillars of gaming, namely (i) the fairness of games, (ii) the protection of minors and vulnerable persons and (iii) the prevention of crime, fraud and money laundering, are safeguarded as much as possible.

The Authority's key functions include:

- regulating gaming;
- supervising licensees and overseeing gaming operations;
- ensuring fit and properness of individuals and companies in possession of a licence issued by the MGA;
- ongoing monitoring, ensuring licensees are in compliance with the laws and regulations;
- acting as a supervisory Authority for compliance with the 4th Anti-Money Laundering Directive;
- assessing licence applications and issuing approvals in line with the MGA requirements;
- supporting and investigating player complaints;
- advising the Government on new developments and risks in the sector; and
- submitting legislative proposals to address changes within the sector.

The Authority's vision is to:

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

2 Key Highlights

- During the period under review, the MGA proceeded with the overhaul of the regulatory framework which will streamline, consolidate and future-proof all gaming sectors under one legislative umbrella.

- In exploring the practical challenges of the implementation of the 4th Anti-Money Laundering (AML) Directive to the gaming industry, the Authority has performed an extensive industry outreach. In addition, the MGA has also started conducting its first AML inspections on licensed entities.

- The MGA has undertaken a number of enforcement actions namely the issuance of 45 administrative fines. In addition, following various regulatory breaches the Authority took enforcement actions against six licensees by suspending one licence and cancelling another five.

- During this reporting period, the MGA's Fit & Proper Committee refused 35 individuals, of which 10 at onboarding and 25 through ongoing monitoring. Furthermore, the Committee issued 30 conditional verdicts whereby further information and/or documentation was required to proceed with the final decision. A total of 1,003 criminal probity screenings were conducted in the first six months of 2018.

- Between January and June 2018, a total of 83 system audits were conducted, as well as 27 compliance audits, and 1,200 player liability assessments.

- The MGA has renewed its commitment to the protection of players who required the Authority's intervention in disputes with operators. Between January and June 2018, the Authority received 1,831 complaints and resolved a total of 1,794.

- The Authority has published a guidance document on the General Data Protection Regulation (GDPR). This regulation is aimed at harmonizing data protection regulation across Europe, to protect and empower all EU citizens' data privacy and to reshape the way organisations across the region approach data privacy.

- The MGA continued to engage in discussions at international fora to safeguard the interests of the gaming industry in Malta.

- The number of companies licensed in the Maltese jurisdiction stood at 300 in June 2018.

- By June 2018, the gaming industry was directly generating more than 6,800 full-time equivalent jobs.

3 A review of the Authority's Performance between January and June 2018

3.1 Legislative and Regulatory Updates

3.1.1 The Introduction of a New Legislative Framework

During the first half of 2018, the Authority proceeded with the overhaul of the regulatory framework governing the gaming sector in Malta, assisting the Parliamentary Secretariat for Financial Services, Digital Economy and Innovation with the process of tabling the bill in Parliament and with the ensuing discussions.

On 8 May 2018, the Maltese Parliament approved the third and final reading of the new Gaming Act, which elevates the jurisdictional profile of Malta from a regulatory perspective by strengthening the MGA's supervisory role - and specifically the compliance and enforcement functions - to better achieve regulatory objectives, in line with concurrent developments relating to Anti-Money Laundering and Combating the Funding of Terrorism (AML/CFT).

The new framework is characterised by a more comprehensive and coherent legislative design which strikes a balance between the removal of unnecessary duplication of checks, and increasing regulatory scope and the powers of the Authority to strengthen compliance processes.

The legislative overhaul repealed all previous existent legislation[1], for it to be replaced by a single Act of Parliament entitled the Gaming Act, together with subsidiary legislation covering horizontally the main areas of regulation. This will ensure coherence and consistency in the interpretation and application of the law.

In anticipation of the new regulatory regime in 2018, the MGA formulated a new fiscal structure and late in December 2017, the Authority published a new subsidiary legislation, the Gaming Licence Fees Regulations (S.L. 438.12), which became effective on 1 January 2018. In preparation for the introduction of the new regulatory regime, the MGA hosted information sessions on the new legislation for industry stakeholders.

3.1.2 Reinforcing the Authority's AML/CFT Supervision in line with the 4th Anti-Money Laundering Directive

The 4th Anti-Money Laundering Directive (4th AMLD), which came into force in June 2017, made all gambling operators "subject persons" in terms of anti-money laundering legislation, bringing into force onerous obligations and new compliance challenges. In particular, during the first six months of 2018, the MGA continued to create a strong foundation for its AML/CFT supervision, in order to sustainably mitigate the risks relating to gambling services. The MGA has also completed a sectoral Money Laundering/Financing of Terrorism (ML/TF) risk assessment of the gaming sector as part of a National Risk Assessment for the Gaming Industry in Malta.

[1] This consists of the Public Lotto Ordinance, Chapter 70 of the Laws of Malta, the Gaming Act, Chapter 400 of the Laws of Malta, Lotteries and Other Games Act (LOGA), Chapter 438 of the Laws of Malta. Each one of these is complemented by sector-specific subsidiary legislation, as well as by instruments issued by the MGA.

The Authority has enhanced its collaboration with the Financial Intelligence Analysis Unit (FIAU) in Malta in order to ensure an effective AML/CFT framework with the required levels of co-ordination across public and private bodies. In particular, the MGA worked with the FIAU on the revised consultation for the Implementing Procedures Part II[2] that is ear marked for the remote gaming sector. This highlights further the commitment of the Authority to strengthen anti-money laundering checks and their effectiveness, and to establish clarity on the requirements which the affected licensees are required to adhere to.

Furthermore, the Authority established its own risk-based approach at regulation and supervision, with AML/CFT forming a crucial part of the risk analysis conducted on operators. In this regard, the MGA built a well-resourced AML unit tasked with the monitoring of 'Subject Persons' in terms of AML/CFT compliance by executing offsite and onsite examinations. The Authority has also embarked on a number of initiatives aimed at reaching out to the industry on AML/CFT matters.

3.1.3 European and International Developments

During the first six months of 2018, the MGA kept abreast of international developments and discussions relating to the Digital Single Market Strategy. The Authority continuously monitors this sector in order to gauge whether the proposals could have any direct or indirect impact on the gaming industry in Malta.

During the period, the MGA participated in the quarterly meetings of the Expert Group on Gambling Services at EU level held under the auspices of the European Commission. The Authority also participated in the Gambling Regulators European Forum meeting held in Prague, where the MGA confirmed its intention to maintain and strengthen the ties with other European Regulators. This meeting brought together over 70 regulators, from Europe and beyond, for three days of high quality presentations, debate, and knowledge-sharing on key issues for gaming regulators.

The Authority continued to exchange information with all industry stakeholders at a global level. During the first half of the year, the Authority received 20 official cooperation requests from other EU Regulatory Authorities by virtue of the Administrative Cooperation Arrangement, while the MGA itself sent out seven such requests to receive information. In parallel, the Authority continues to invite the industry to share best practices with each other, and with the Authority itself, and collaborates with other stakeholders as well, both formally and informally.

3.1.4 Update on the General Data Protection Regulation (GDPR)

In anticipation of the coming into force of the EU General Data Protection Regulation (2016/679) (GDPR), the Authority issued industry guidelines on how operators may develop the necessary policies and procedures to ensure compliance with such Regulation. They were published after consultation with the Office of the Information and Data Protection Commissioner, and are intended to be reviewed and revised from time to time to reflect legislative and technological developments.

[2] http://www.fiumalta.org/implementing-procedures/part2

3.2 Developments in the Licensing, Compliance, Investigation and Enforcement Functions

Good governance is essential for the sound functioning of the Authority ensuring that it operates effectively and with integrity. It is of utmost importance that it continuously enhances the efficacy of its supervisory role both at the onboarding stage of new licensees as well as throughout the licence duration.

Through its Supervisory Council, the Authority oversees the sound and consistent implementation of its regulatory functions. The Council meets to discuss ongoing regulatory issues, including strategic regulation and priority areas, and acts as an advisory committee to the Authority's Chief Executive as well as the Board. The Council also oversees the licensing, regulatory and enforcement decisions in respect of all regulated activities falling under the Authority's responsibility.

3.2.1 'Fit and Properness'

Prior to issuing, renewing or approving of a licence, the Authority ensures that Malta-based operators, both remote and land-based, are fit and proper to conduct gaming operations in and from Malta.

The Fit and Proper Committee is responsible for ensuring integrity and consistency in the decisions related to the "fit and properness" of the companies and individuals requesting any type of approval from the Authority, both at onboarding stage and throughout their lifecycle as MGA licensees. The Fit and Proper Committee also evaluates and determines any changes in the risk assessment of licensed operators and may impose licence conditions at its own discretion. During the period January to June 2018, the Fit and Proper Committee was summoned 16 times where a total of 115 decisions were taken. The Committee refused 35 individuals or companies during the reporting period.

3.2.2 Criminal Probity Screening

In addition to the assessment conducted by the Fit and Proper Committee, the Authority undertakes criminal probity screening checks focusing on both individuals and companies in remote gaming and land-based activities. Such assessments form part of the Authority's due diligence process in ensuring that both remote and land-based operators are fit and proper to conduct operations in and from Malta and that such operations are not used for money laundering or financing of terrorism. Between January and June 2018, the department performed a total of 1,003 screening checks.

3.2.3 Granting of a Licence

Once an application makes it through the 'fit and proper' assessment, a series of tasks and reviews are undertaken by the Authorisation Unit prior issuance of a gaming licence, including:

- financial analysis of the applicant's business plan;
- review of other operational and statutory requirements that are requested by law; and
- a System Review which requires the applicant to implement its operations onto a technical environment prior to actually going into a live business environment.

During the first six months of 2018, the Authority has issued a total of 62 licences to operators within the online sector.

3.2.4 Effective Compliance

The MGA aims to ensure that all licensed entities operate in accordance with their obligations mandated by law and the relevant conditions imposed upon issuance of the licence. The Compliance Directorate, responsible for the ongoing monitoring programme, focused on two main areas, namely: review of the licensees' systems that were up for renewal and additional reviews of the compliance audits to scrutinize policies, procedures and operations of licensees.

During the period under review, the MGA continued the safeguarding of declared players' liabilities through the review of 1,200 Player Funds Reports. Moreover, the function's supervisory role further enhanced the Authority's ongoing regulatory checks through the performance of thematic reviews, mainly relating to player protection mechanisms, the operations of approved systems, and approved policies and procedures. In order to embrace a more holistic regulatory approach, this function was further complemented by the performance of periodic financial health checks on the Authority's licensees, to ensure that their financial situation did not impede the protection of players' funds.

3.2.5 Investigations and Enforcement

During the first six months of 2018 the MGA has undertaken a number of investigations, concerning both land-based and remote illicit gaming activities. In an effort to assist the Enforcement Agencies in combating criminal gaming activities in the Maltese jurisdiction, the Authority's Investigations unit has collaborated not only with the local enforcement bodies but also with foreign Regulators and International Authorities. Moreover, the unit has responded to a number of requests for information submitted by Law Enforcement Agencies and Supervisory Bodies.

Following such investigations, the MGA has undertaken a number of enforcement actions. Between January and June 2018, the Authority has issued 45 administrative fines. In addition, following various regulatory breaches the Authority suspended one licence and cancelled another five.

3.2.6 Field Operations

The Authority has also conducted a number of inspections in various land-based establishments, namely, casinos, gaming parlours, Maltco Points of Sale, commercial bingo halls (including non-profit tombola events) as well as during the National Lottery draws of Lotto, Grand Lottery[3] and Super 5 games.

3.3 The Authority's Operational Activities during January-June 2018

3.3.1 Player Support and Self-exclusion

During the past months, the MGA has renewed its commitment to the protection of players who required the Authority's intervention in disputes with operators. Between January and June 2018, the Authority received a total of 1,831 complaints and resolved a total of 1,794.

[3] Maltco Lotteries Limited stopped offering the Grand Lottery in May 2018.

All operators, be they online or land-based, are legally obliged to offer self-exclusion facilities to their customers. The self-exclusion programme is one of the interventions aimed at minimising the negative impacts of gambling, and it plays an important role in the recovery process of affected individuals.

Land-based operators are connected to a unified self-exclusion database hosted by the MGA. Players may exclude themselves from gaming for a definite or indefinite time, and their details are immediately entered into the system, ensuring that this exclusion is implemented across land-based casinos, commercial bingo halls and/or gaming parlours. During the period under review, the number of self-exclusion requests in the land-based sector increased by 19%, from 728 in 2017 to 869 in 2018.

In terms of remote gaming activities, during the six-month period ending June 2018, the total number of self-exclusion requests for gaming websites licensed by the MGA reached around 540,000, an increase of 31.9% over the figure reported for the same period in 2017.

3.3.2 Information Technology Systems

Throughout 2018, the MGA has carried out substantial work on the Enhanced Automated Reporting Platform (EARP). The main aim of this system is to follow a standards-based approach for collecting, distributing and reporting regulatory data independent of the nature of the game and its method of delivery. In addition, in line with the new Gaming Legal Framework which was enacted as at 1 August 2018, the Licensee Relationship Management System (LRMS) has been updated significantly to cater for additional new services such as new types of applications, submissions and notifications directly online. Apart from this, the MGA has expanded its current IT support function to assist licensees and prospective applicants when making use of these systems.

As the reliance and dependency on IT services increases at MGA, the IT department felt the need to reassess their current infrastructure to ensure the resilience against failures. The main purpose is to minimize the possibility of engaging in Disaster Recovery procedures and in the remote eventuality that it occurs, recoverability of systems takes place within a maximum of one business day as defined by the Recovery Time Objective. In light of this, the MGA has drafted an international tender which shall be published through the Department of Contracts towards the end of 2018, with plans to have it fully implemented in 2019.

3.3.3 Information

The Information Management unit is responsible for the planned and systematic collection of data from its licensed operators and other reliable sources. The MGA utilises this information to assess any changes in the gambling landscape with regard to, amongst others, money wagered, gaming revenue, overall participation in gaming activities, and social responsibility measures. Statistics collected from various sources enable the Authority to understand better the dynamics of the market and provide the necessary support to the decision making processes.

The Information Management unit is committed to develop a state-of-the-art Information function, and to continuously strive to be a leader on gaming data collection on a local and international level. The long-term vision of the Authority in this field is to redefine the Information Management unit into the Business Intelligence function in order to support data-driven decision-making within the Authority.

3.3.4 Human Resources

The Authority continued to strengthen its human resource capabilities in order to ensure it is able to carry out its functions as efficiently and effectively as possible. At the end of June 2018, the Authority had 166 employees, an increase of 5% since the end of 2017.

Learning and professional development remains at the forefront of HR's people management agenda, with the Authority continuously investing in the continuing career development of its employees and striving to retain and nurture strong talent. During the period under review several MGA staff attended various regulatory and compliance-related training conferences and seminars. Special attention was also given to in-house GDPR training due to the new data protection provisions which came into effect at the end of May 2018. In addition, in view of the new Gaming Act which came into force in August 2018, between January and June 2018, in-house training was delivered across the staff complement of the Authority on the new legislation including all necessary training on core MGA IT systems.

3.3.5 The Corporate Affairs Function

The MGA's Corporate Affairs function is responsible for the execution of the promotional and Corporate Affairs strategies in order to ensure that objectives set out by the Authority are duly and effectively reached. The first half of 2018 was of major importance for this function as it was entrusted to inform both stakeholders and the general public on all dimensions of the upcoming new Gaming Act.

The team is also responsible for the preparation and execution of all events attended by the MGA personnel including the major annual ICE Totally Gaming Exhibition, which took place in London, UK, in February 2018. Other events included Information Sessions held at the MGA's Headquarters whereby the Authority personnel delineated features of the New Regulatory Framework to all Key Officials and a number of external conferences, notably ones which discussed AML and GDPR.

3.4 Other Initiatives

Driven by the principles of innovation and simplification, the Authority sought to undertake initiatives that would see it consolidate the Maltese jurisdiction as a destination of choice for gaming operators. At the same time, the Authority endeavoured to continue enhancing its regulatory regime in a way that will allow licensees to grow their business within the necessary checks and balances required for augmented player protection.

With the enactment of the new Gaming law, the Authority focused most of its efforts on reinvigorating its licensing set-up as well as undertaking internal initiatives, mostly of a procedural and technical nature, which will eventually allow it to regulate within the remit of the new regime and support operators through this change.

To supplement this key initiative and with a view of being of service to the Malta-based gaming industry, the Authority:

- issued a public consultation exercise on the "Guidance on the use of Distributed Ledger Technology and the acceptance of Virtual Currencies through the implementation of a Sandbox Environment";
- launched the reviewed framework for the assigning of Compliance and Systems audits to third parties;
- undertook dedicated compliance efforts to assume its responsibilities emanating from the EU's GDPR. Similarly, the Authority assumed responsibility to issue guidance to its licensed operators to comply with the same Directive;
- embarked on a data collection exercise to generate increased knowledge on the gaming and gambling behaviours amongst the Maltese population; and
- soft-launched a pilot initiative for the temporary placement of students with gaming operators. This initiative is an initial step towards the launch of a gaming-oriented Students' Placement Programme in the foreseeable future.

3.5 Outlook for the Months Ahead

With the coming into force of the new Gaming Act during the third quarter of 2018, the Authority aims to remain at the forefront of innovation by diversifying into new business areas and enhancing regulatory efficiency while improving compliance systems and player protection to meet the best global standards of practice. The Authority will continue to direct its efforts towards raising the quality standards across all gaming sectors while ensuring the highest levels of compliance through effective supervision of the gaming sector, enhancing consumer protection mechanisms and improving the overall governance and supervision of the gaming sector.

4 An Overview of the Maltese Gaming Industry in the First Half of 2018

The following analysis presents an overview of the performance of the regulated gaming industry in Malta during the first six months of 2018. This is analysed in terms of developments in the economic value added, employment and tax revenue results attained by the industry, together with an analysis of demand trends and supply capabilities of operators licensed under the Maltese jurisdiction.

4.1 Headline Industry Developments

The growth in the gaming industry in Malta observed over the recent years was consolidated further in the first six months of 2018. The contribution of the gaming industry to the total value added of Maltese economy exceeded 12%, edging from 11.6% during the same period of 2017. This followed from a 12.1% growth in the Gross Value Added of the gaming industry in the first half of 2018, which compared with a 7.6% growth registered for the economy as a whole. As a result, the gaming industry continued to consolidate its position as a major economic pillar. Employment also registered a positive increase, reaching around 6,850 full-time equivalent jobs during the period under review.

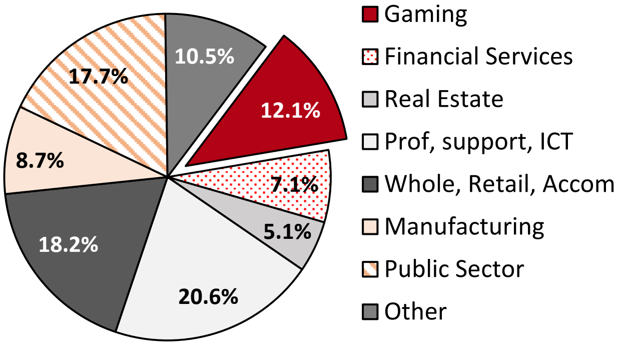


Chart 1 Economic Value Added (Jan-Jun 2018)

Source: National Statistics Office

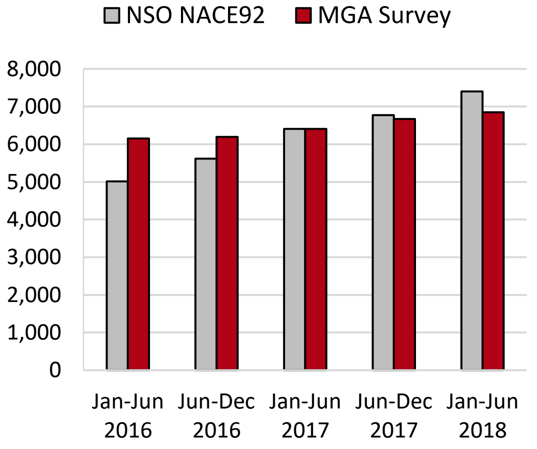


Chart 2 Gaming Industry Employment (Full-time Equivalent)

NSO NACE 92 data refers to period mid-point. MGA survey data refers to end-of-period point. Enterprise coverage varies slightly between the two sources.

The economic growth registered during the first half of 2018 was notable both in terms of performance in earlier years as well as in the context of the development of gaming activity globally. The new Gaming Act has repositioned Malta as one of the most forward-looking jurisdictions globally, providing the necessary operating framework to attract new business opportunities as well as enabling existing operators to expand their operations further. This will, in turn, reflect growth in employment.

In terms of the land-based sector, improvements in household income and the expansion in tourist visitors have contributed towards the positive performance of the sector. This was coupled with the continuous growth in the resident population through immigration, and by an enhanced attractiveness of the country for specific junket events for existing and new foreign markets.

4.2 Developments in Key Economic Indicators

It is estimated that the gaming industry has generated just over €623 million in terms of gross value added in the first half of 2018, contributing almost 12.2% of the total value added of the Maltese economy during the period. This represents a 12.1% growth over the same period of last year. Over the years the gaming industry has established itself as the third-largest sector in the private economy, exceeding, in terms of size of value added, other sectors which were traditionally major economic pillars. Gaming furthermore contributes to the generation of value added through input-output linkages in other major sectors, including professional services, financial and ICT activities, distributive trades and real estate.

	2015		2016		2017		2018
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Number of licences (remote)	474	490	490	513	558	625	661
Number of companies in operation	283	276	257	266	282	294	300
Gross Value Added (€m)	450	451	503	507	556	559	623
Employment (FTE jobs)	3,915	4,707	6,150	6,193	6,407	6,673	6,849
Remote	3,318	3,908	5,295	5,327	5,542	5,861	6,021
Land-based	597	799	855	866	865	812	828
Gaming tax revenue (€m)	27.0	28.2	28.0	28.3	29.0	30.1	29.4

Note: Number of licences (remote) and number of companies in operation relates to stock as at the end of June and December, and refers solely to the MGA licensed entities.

Table 1 Headline Indicators of Gaming Industry Activity

During the period under review, the number of full-time equivalent jobs in the gaming industry is estimated to have reached 6,849 by June 2018, an increase of 2.6% from the number of employees reported in the end of 2017. The growth was mainly driven by an increase of 160 jobs in the remote gaming business.

Gaming tax has also registered a mere increase of 1.5% when compared to the first six months of 2017, reaching a total of €29.4 million during the period under review.

Such sectoral performance was spurred mainly by an expansion in the gaming business in terms of both the number of licences as well as the number of companies. As shown in Table 1, the number of companies holding a Maltese gaming licence (including both land-based and remote entities) increased by 6.4% when compared to the number of companies registered in the same period of 2017, while the number of licences for the remote gaming increased by 18.5% reaching a total of 661 by the end of the period under review.

From a more detailed market behaviour perspective, there was a growth in the land-based gaming sector during the first six months of 2018, with total players' visits to outlets increasing by 13.3% as shown in Chart 3. Both segments - land-based casinos and gaming parlours - registered growth in visits of 3.6% and 32.9% respectively. Commercial bingo sector reported a mere increase of 0.8%.

Whilst the increase in the number of players in casinos can be explained by the growth in tourism and increase in the number of operators during recent years, changes in the gaming parlours sector were mostly driven by the increasing range of service offerings. This can be also reflected in a 20.7% drop in average Gross Gaming Revenue (GGR) per visit for the gaming parlour sector.

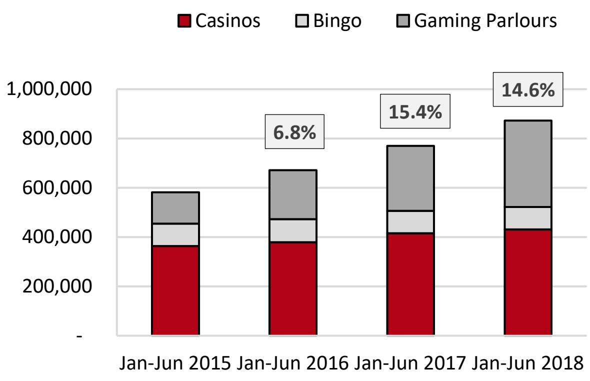


Chart 3 Visits to Outlets

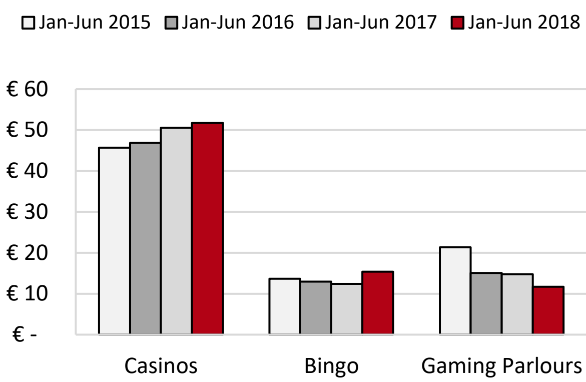


Chart 4 GGR per Visit

As a result of these developments, the land-based gaming sector experienced an increase of 4.5% in GGR when compared with the corresponding period of 2017. All segments reported growth in the first half of 2017 and 2018 respectively.

With respect to the remote sector, a growth of 5.8% was registered in the number of licences when compared to December 2017. This positive performance is expected to consolidate with the overhaul of the regulatory framework governing the gaming sector in Malta which came into force in 2018. During the first six months of 2018, the MGA received 121 applications for a remote gaming licence and issued 62 licences.

4.3 Outlook for the Gaming Industry in Malta

Given the positive developments experienced by the global and European gaming markets during 2017, operators and suppliers are expecting further growth throughout 2018 and 2019. This will, in part, be underpinned by the industry outlook at a global level, which, according to most sources, is a positive one. Furthermore, the regulatory overhaul being implemented will enhance business competitiveness of existing operators and attract new investment to the sector. It will be important for the domestic ecosystem to provide sufficient quality resources to meet the demand for the continued growth of the sector over time.

5 Detailed Interim Statistical Report on the Performance of the Gaming Industry in Malta during the First Half of 2018

The land-based gaming sector in Malta is composed of the following forms of operations: casinos, gaming parlours, commercial bingo halls and National Lottery games and other lotteries and non-profit games. During the period January to June 2018, a new operator joined the gaming parlour sector, increasing the number of operators from five to six.

5.1 Land-based Casinos

During January and June 2018, there were four licensed casinos in Malta namely Dragonara Casino, Portomaso Casino, Oracle Casino and Casino Malta.

5.1.1 Casinos: Players' Visits

The number of visits to casinos reached 430,859 during the first six months of 2018. This represented a 3.6% growth over the corresponding period of 2017.

	2015		2016		2017		2018
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total	364,052	417,006	379,344	525,068	415,944	494,208	430,859

Table 2 Land-based Casinos - Number of Visits

In addition to visits reported for regular customers, casinos also offer their facilities to junket players. Between January and June 2018, 878 junket players were notified to the Authority, an increase of 184 players when compared to the period January to June 2017. These indicators overall point to a healthy growth in the casino sector, reflecting the overall growth in the population and in the number of visiting tourists.

	2015		2016		2017		2018
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total	284	275	331	628	694	805	878

Table 3 Land-based Casinos - Number of Junket Players

5.1.2 Casinos: New Players' Registrations

During the period under review, 61,241 new registrations were reported by casino operators, part of which represents multiple registrations by a single player in more than one casino. This represents an increase of 8.3% over the first six months of 2017.

	2016		2017		2018
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total	44,336	92,520	56,563	84,262	61,241

Table 4 Land-based Casinos - New Players' Registrations

5.1.3 Casinos: Number of Tables[4]

The number of gaming tables at casinos stood at 81 as at the end of this reporting period. The highest number of tables featured Roulette and Texas Hold'em, with 25 and 22 tables respectively.

	2016		2017		2018
	end-June	end-Dec	end-June	end-Dec	end-June
Texas Hold'em	28	29	34	34	22
Roulette	27	27	25	26	25
Blackjack	18	18	16	19	17
Casino Poker	5	8	8	10	7
Punto Banco	4	6	6	6	5
Other	9	5	5	6	5
Total	91	93	94	101	81

Table 5 Land-based Casinos - Number of Tables

5.1.4 Casinos: Number of Gaming Devices and Sports Betting Machines[5]

The total number of sport betting machines in the casinos stood at 19 as at the end of June 2018, while the number of gaming devices amounted to 916.

	2016	2017		2018
	end-Dec	end-June	end-Dec	end-June
Gaming devices	915	915	900	916
Sports betting machines	19	18	27	19
Total	934	933	927	935

Table 6 Land-based Casinos - Number of Gaming Devices and Sports Betting Machines

5.1.5 Casinos: Players' Profile

5.1.5.1 Nationality

During the first six months of 2018, the number of visits by Maltese persons increased by 0.8% while that of non-Maltese players increased by a significant 6.2% when compared to the first six months of 2017. The predominance of foreign players, which typically characterises the second half of a calendar year, is also permeating to the first six months - indicative of the buoyant tourism industry characterising the Maltese economy also in the shoulder season. The increase in junket event activity would have contributed to this trend as well. Visits of non-Maltese players accounted for 52.7% of casinos visits registered during the period under review.

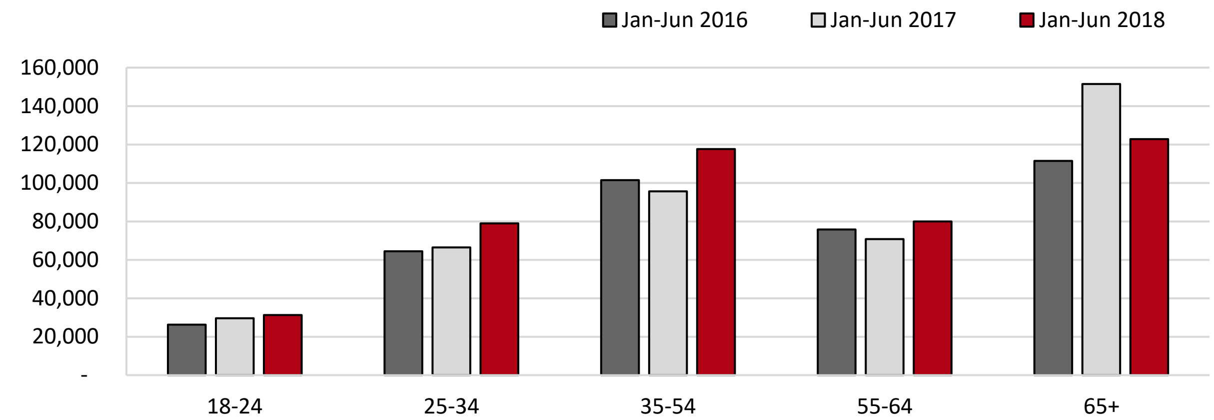
	2015		2016		2017		2018
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Maltese	185,358	196,250	196,325	230,431	202,026	213,995	203,703
Non-Maltese	178,694	220,756	183,019	294,637	213,968	280,213	227,156
Total	364,052	417,006	379,344	525,068	415,994	494,208	430,859

Table 7 Land-based Casinos - Players' Profile by Nationality

[4] Total number of tables for casinos' games as at 30 June and 31 December.
[5] Total number of gaming devices and sport betting machines as at 30 June and 31 December.

5.1.5.2 Demographic Group

The first half of 2018 was characterised by an increase in visits of customers from all age groups, except from those aged 65 years or over. The most notable growth, of 22.8%, was registered in the number of visits by players between 35 - 54 years, accounting for 27.3% of the total number of visits recorded during the period January to June 2018. Visits to casinos by players between 18 - 24 years, 25 - 34 years and 55 - 64 years rose by 5.8%, 18.8% and 12.8% respectively. A decline of 19% was reported for the number of visits in the 65+ age. However, this age group continued to account for nearly 30% of all visits recorded by the casino sector. It is worth noting that the gender balance remained nearly unchanged from that reported for January to June 2017 with 61.5% of visits registered for male players.



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

Chart 5 Land-based Casinos - Players' Profile by Age Group Distribution

5.1.6 Casinos: GGR

Following a significant increase in GGR generated by the casino sector in the first six months of 2017, at 18.3% on an annual basis, a slower but still significant growth in GGR was reported during the first six months of 2018, standing at 6%.

Out of the total GGR generated during the period under review, 65.4% was generated through various gaming machines (including gaming devices and sports betting machines) whereas 34.6% was generated through table games. These ratios were unchanged from those registered during the same period of 2017.

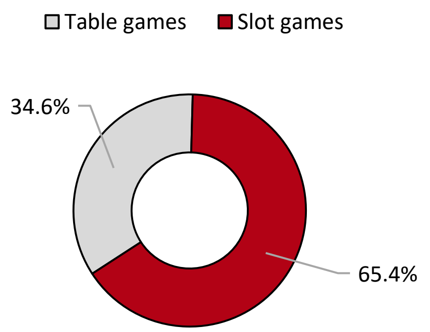


Chart 6 Land-based Casinos - GGR Distribution

During the first six months of 2018, junkets accounted for 7.8% of the total GGR generated by the land-based casinos, which is nearly equal to the same amount for the corresponding period of the previous year (8.3%).

5.1.6.1 Average GGR per visit

In line with the increase in the number of visits and total GGR, the average GGR per visit rose by 2.4% from €50.5 to €51.7, as shown in Table 8.

	2015		2016		2017		2018
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	45.7	46.0	46.9	41.8	50.5	49.1	51.7

Table 8 Land-based Casinos - Average GGR per Visit

5.1.7 Casinos: Gaming Tax

The gaming tax payable by the casino operators during the first six months of 2018 amounted to €8.1 million, an increase of 3.7% over the corresponding period of the previous year. This mirrors the growth in GGR.

	2015		2016		2017		2018
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	6,382,033	7,337,642	6,642,312	7,778,875	7,823,544	9,214,837	8,111,094

Table 9 Land-based Casinos - Gaming Tax

5.1.8 Casinos: Employment

As at the end of this reporting period, the total number of full-time equivalent direct employees working in casinos stood at 597, an increase of 2.2% compared to the end of 2017. One can observe a decrease in the number of employees when compared to the end of June 2017. However, such a decline represents normal fluctuations associated with the timing of major gaming events.

	2015		2016		2017		2018
	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun
Total	392	574	638	648	632	584	597

Table 10 Land-based Casinos - Employment (FTE)

The gender balance of casinos' employees remained comparable to that reported in December 2017 as 58.2% of employees were male. Furthermore, an increasing reliance on foreign workforce in the casino sector was observed during the reporting period, when this category of workers reached 68.1% of the total, up by eight percentage points from the levels reported in December 2017.

5.2 Gaming Parlours

5.2.1 Gaming Parlours: Number of Outlets

As at the end of June 2018, the number of approved gaming parlours totalled 52, spread across 28 localities in Malta and Gozo. The highest number of gaming outlets were located in the Southern Harbour and Northern Harbour Districts (as defined in Appendix 2) having 22 and 14 approved gaming parlours respectively. A new gaming operator, namely Smart Operations, started its operations, as of April 2018, opening its first parlour in Fgura.

There are no limits of gaming outlets per locality; however, there are a number of restrictions provided by law in order for the MGA to grant a licence. The Authority's approvals for the locations thereof are in line with the current restrictions in place to safeguard and protect minors and the general public.

The table below presents the number of approved gaming parlours per operator.

	2015		2016		2017		2018
	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun
Izibet	24	24	26	27	28	29	29
Bestplay Gaming	6	6	6	6	6	7	7
Media Games	5	7	5	5	5	5	5
Fairbet	5	6	6	7	7	7	6
Bingo	3	3	3	3	3	4	4
Smart Operations	-	-	-	-	-	-	1
Total	43	46	46	48	49	52	52

Table 11 Gaming Parlours - Number of Outlets

5.2.2 Gaming Parlours: Number of Gaming Devices

The number of licensed gaming devices increased to 417 as at the end of June 2018. This implied an average of eight gaming devices per gaming outlet. This needs to be viewed in the context of regulations, limiting the number of devices per outlet to no more than 10.

The table below presents the number of licensed gaming devices per operator.

	2015		2016		2017		2018
	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun
Izibet	162	178	201	214	218	223	237
Bestplay Gaming	43	43	44	48	49	59	59
Media Games	39	49	40	40	40	38	42
Fairbet	33	43	43	52	51	41	39
Bingo	30	30	30	30	30	40	36
Smart Operations	-	-	-	-	-	-	4
Total	307	343	359	384	388	401	417

Table 12 Gaming Parlours - Number of Gaming Devices

5.2.3 Gaming Parlours: Players' Visits

During the first half of 2018, visits to gaming parlours rose by 32.9% to 350,629 as compared to the same period the previous year. This growth was mainly driven by the increased number of new gaming devices as well as the introduction of new types of devices in the gaming outlets.

5.2.3.1 Number of visits by locality

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

Out of all players' visits registered by gaming parlours' operators between January to June 2018, 32.6% took place in the Southern Harbour District where the highest number of outlets, 22, were located. When compared with the first six months of 2017, visits grew in each district with the most significant growth rate, of 89.1%, reported for South Eastern District.

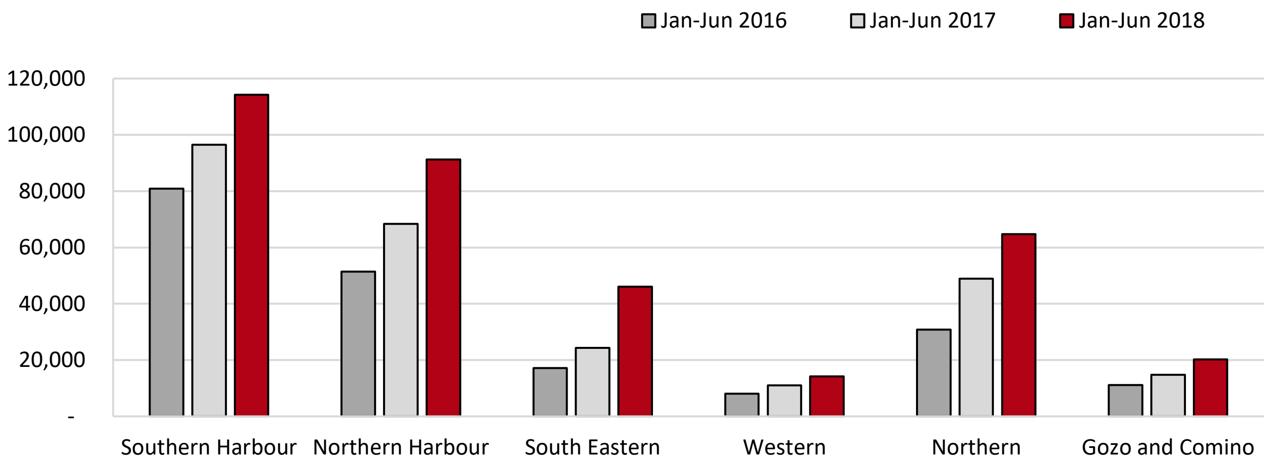


Chart 7 Gaming Parlours - Number of Visits by District

5.2.4 Gaming Parlours: New Players' Registrations

During the period under review, the gaming parlour sector reported 5,737 new registrations, 11.1% more when compared with the corresponding period of 2017. On average, operators registered 956 players each during the period January to June 2018.

	2016		2017		2018
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total	8,049	2,826	5,165	6,980	5,737

Table 13 Gaming Parlours - New Players' Registrations

5.2.5 Gaming Parlours: Players' Profile

5.2.5.1 Nationality

Visits to gaming parlours were predominantly by Maltese players, constituting 61.4% of all visits registered between January and June 2018. It is worth noting that the share of non-Maltese players rose by four percentage points from the levels reported for the period January to June 2017 whereas the share of visits by foreigners already grew by 10.2% from the corresponding period of 2016. To a great extent, this reflects population immigration trends.

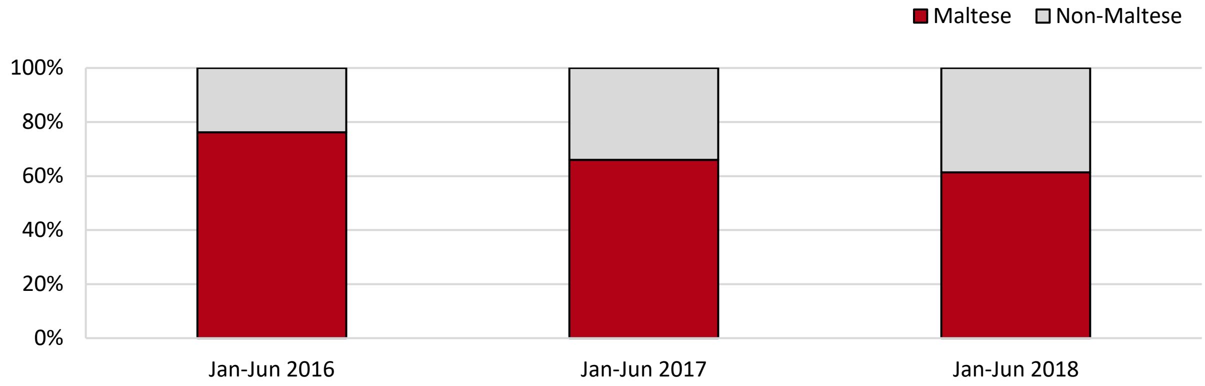


Chart 8 Gaming Parlours - Players' Profile by Nationality

5.2.5.2 Demographic group

Growth in visits to gaming parlours was registered across all age categories during the January to June 2018 period when compared with the corresponding period of 2017. The most significant increase in visits was registered for players in younger age categories, namely, 18-24 and 25-34 age bracket, of 42.9% and 41.3% respectively. Operators also reported an increase in visits by players in the 35 and 54 and 65+ age groups which rose by 28.9% and 32.8% respectively. Visits by players between 55 – 64 years rose at a slower pace of 14%.

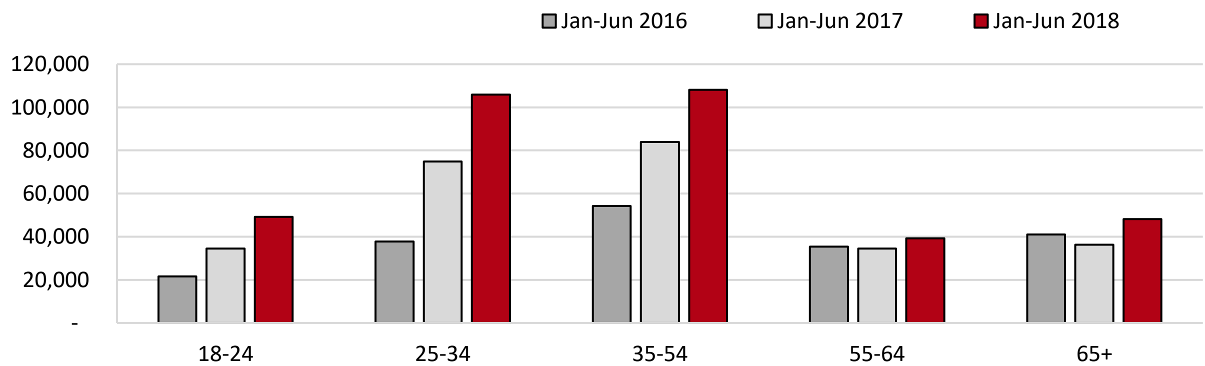


Chart 9 Gaming Parlours - Players' Profile by Age Group Distribution

During the period under review, visits to the gaming parlours establishments were predominantly by male players, constituting for 84.8% of all visits. This remained in line with the levels registered during the period January to June 2017.

5.2.6 Gaming Parlours: GGR

Following the increase recorded for the number of visits during the period under review, the GGR of the gaming parlour sector increased by 5.3% when compared with the corresponding period of last year. The main element contributing towards such performance is the increasing range of service offering by gaming parlours, coupled with an increase in visits noted above.

5.2.6.1 Average GGR per visit[6]

The average GGR per visit to gaming parlours has been declining to stand at €11.7 during the period January to June 2018, as shown in table below. Such a drop in the average GGR per visits reflects the changing nature of the products offered in the gaming outlets.

	2015		2016		2017		2018
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	21.4	17.4	15.1	16.2	14.8	14.5	11.7

Table 14 Gaming Parlours - Average GGR per Visit

5.2.7 Gaming Parlours: Payout Ratio

Between January and June 2018, the payout ratio averaged at 89%. The minimum payout ratio established by Gaming Devices Regulations SL.438.07 is 85%.

5.2.8 Gaming Parlours: Gaming Tax

The tax payable by the gaming parlour operators for the first half of 2018 increased by 7.4% to €1.1 million. This growth was mainly driven by the increase in gaming devices that were licensed, as well as the growth in GGR during the reporting period.

	2015		2016		2017		2018
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	505,044	636,190	760,216	856,796	1,048,254	1,073,798	1,125,852

Table 15 Gaming Parlours - Gaming Tax

5.2.9 Gaming Parlours: Employment

The number of full-time equivalent direct employees working in the gaming parlours increased by 5.3% between December 2017 and June 2018, as shown in table below. As at the end of this reporting period, the total number of FTEs reached a total of 123.

	2015		2016		2017		2018
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total	86	115	110	107	123	117	123

Table 16 Gaming Parlours - Employment (FTE)

As at the end of June 2018, the majority of employees within the gaming parlour sector were Maltese (87.6%). Interestingly, the proportion of non-Maltese workers increased by five percentage points from levels reported as at the end of 2017. The gender balance remained comparable to that reported as at December 2017 with 32.8% of employees being female.

[6] The average GGR per visit has been updated following the revision of players' visits.

5.3 Commercial Bingo

5.3.1 Commercial Bingo: Number of Establishments

During the period under review, commercial bingo halls were situated in Birkirkara, Buġibba, Paola, Sliema and Valletta. In May 2018, an outlet in Sliema closed down.

5.3.1.1 Permits for Non-Profit Tombola

Permits for Non-Profit games are issued by the MGA in accordance with the Public Lotto Ordinance (Chapter 70 of the Laws of Malta). During the first six months of 2018, 1,143 permits were issued by the Authority compared to 1,267 permits issued during the corresponding period of 2018.

	2015		2016		2017		2018
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total	1,027	973	1,144	952	1,267	862	1,143

Table 17 Commercial Bingo - Number of Permits Issued for Non-Profit Tombola

5.3.2 Commercial Bingo: Players' Visits

Between January and June 2018, the number of visits to commercial bingo halls amounted to 91,097, registering a marginal increase of 0.8% when compared to the same period of 2017.

	2015		2016		2017		2018
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total	90,343	90,635	93,045	96,114	90,366	90,414	91,097

Table 18 Commercial Bingo - Number of Visits

5.3.3 Commercial Bingo: Players' Profile

5.3.3.1 Nationality

Commercial bingo is a game which has been enjoyed locally for a number of years and has gained a degree of popularity. During the period under review, the vast majority of visits, 96%, were made by Maltese players. It is worth noting that even though visits by foreigners constituted only 4% of total visits, an increase of 15.1% was reported for such a group when compared with the first six months of 2018 with a corresponding period of 2017.

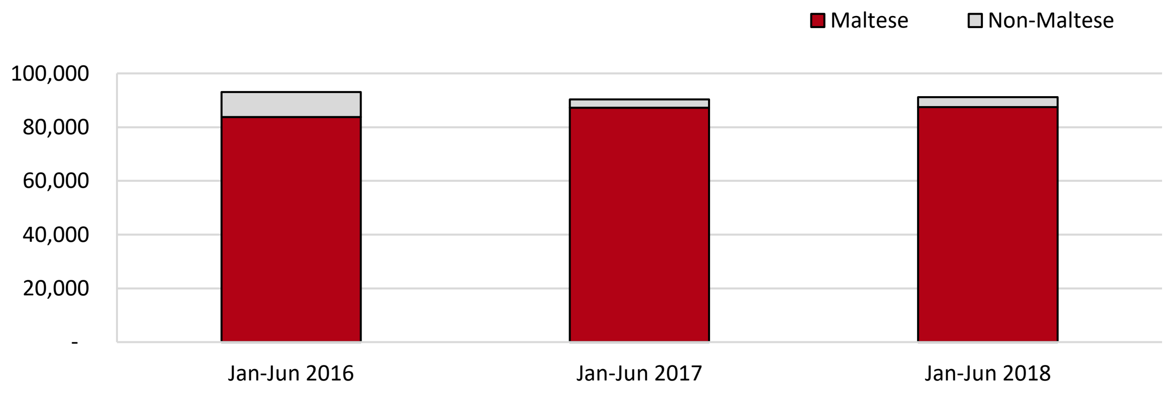


Chart 10 Commercial Bingo - Players' Profile by Nationality

5.3.3.2 Demographic group

During the first half of 2018, commercial bingo operators reported an increase in visits of players within the older age brackets, that is, between 55 - 64 and 65 years or older, of 2.7% and 9.6% respectively. Visits of players in younger age categories, namely, 18 - 24, 25 - 34 and 35 - 54 declined by 32.3%, 54% and 8.6% respectively when compared with January to June 2017, as presented in Chart below.

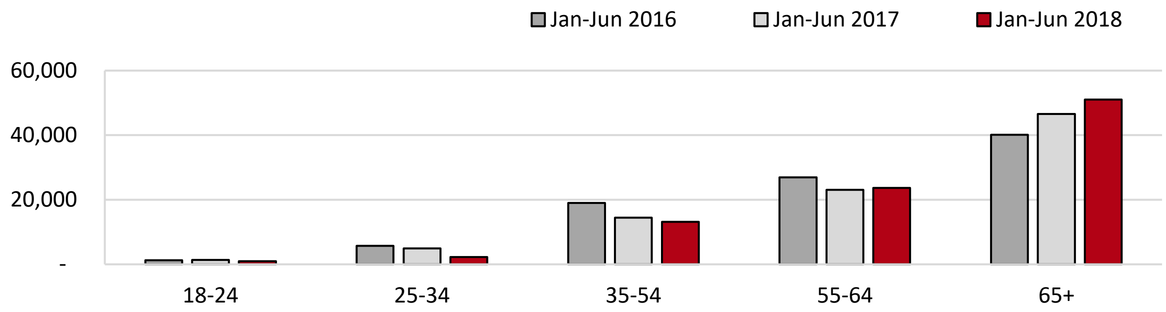


Chart 11 Commercial Bingo - Players' Profile by Age Group Distribution

The vast majority of players who visited commercial bingo halls during this reporting period were women. Visits by females represented 86% of the entire visits during the first half of 2018, in line with the levels reported for the same period of 2017.

5.3.4 Commercial Bingo: GGR

During the first six months of 2018, the GGR of the commercial bingo sector increased by 24.7% when compared with the corresponding period of 2017.

5.3.4.1 Average GGR per visit

In the first half of the year, the average GGR per visit went up by 23.7% from €12.4 in 2017 to €15.4 in 2018.

	2015		2016		2017		2018
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	13.7	13.2	12.9	12.3	12.4	13	15.4

Table 19 Commercial Bingo - Average GGR per Visit

5.3.5 Commercial Bingo: Payout Ratio

The average payout ratio of the bingo sector for the first six months of 2017 stood at 60% as established by the Commercial Bingo (Tombola) Regulations SL.438.05.

5.3.6 Commercial Bingo: Gaming Tax

The gaming tax payable by the commercial bingo sector increased by 15.7% to €331,949 during the first half of 2018, as shown in Table 20.

	2015		2016		2017		2018
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	313,506	287,187	307,109	301,393	286,939	315,006	331,949

Table 20 Commercial Bingo - Gaming Tax

5.3.7 Commercial Bingo: Employment

As at the end of June 2018, the commercial bingo sector directly employed 40 full-time equivalent employees. The number of employees remained relatively stable when compared to the previous reporting period.

	2015	2016		2017		2018
	As at Dec	As at Jun	As at Dec	As at Jun	As at Dec	As at Jun
Total	43	42	46	43	44	40

Table 21 Commercial Bingo - Employment (FTE)

As at June 2018, 69.2% of all commercial bingo halls' employees were female, a decrease of 13 percentage points when compared to the figures reported as at December 2017. The ratio of Maltese nationals employed in the bingo sector went down to 70.6%, nearly 14 percentage points less when compared with the year-end 2017.

5.4 National Lottery

5.4.1 Turnover by Game Category

For the first six months of 2018, the total activity of the National Lottery operator, Maltco Lotteries Limited (Maltco), as measured in sales across the three game categories (draw-based games, instant games and sports games), stood at €48.3 million. This represents an increase of 2.4% over the corresponding period in 2017.

The National Lottery operator registered a steady growth in sales of sports games and instant games of 22.4% and 9.2% respectively. Sales generated from draw-based games went down by 3.3% when compared with the corresponding period in 2017.

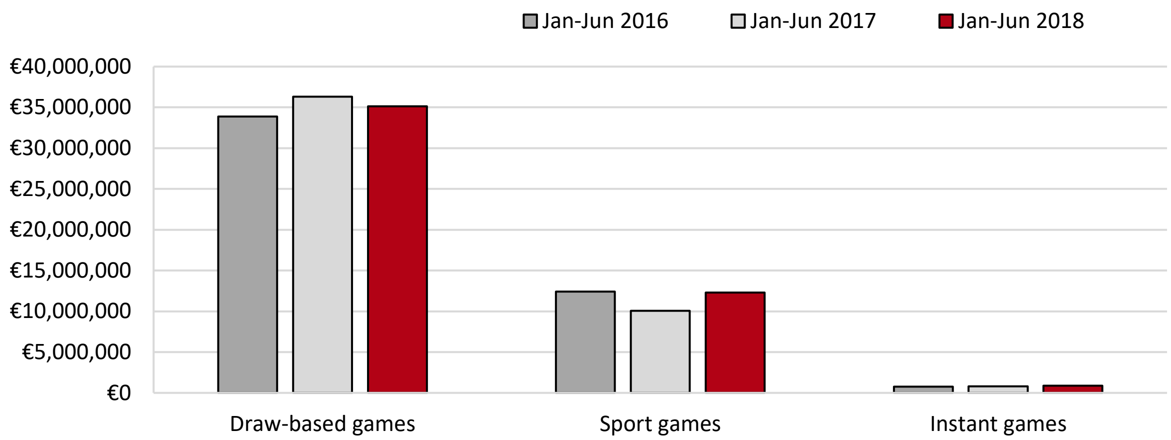


Chart 12 Maltco Lotteries Limited - Turnover by Game
Source: Maltco Lotteries Limited

During the period under analysis, the draw-based games represented 72.7% of the total Maltco's sales, while sports games and instant games constituted 25.5% and 1.8% respectively.

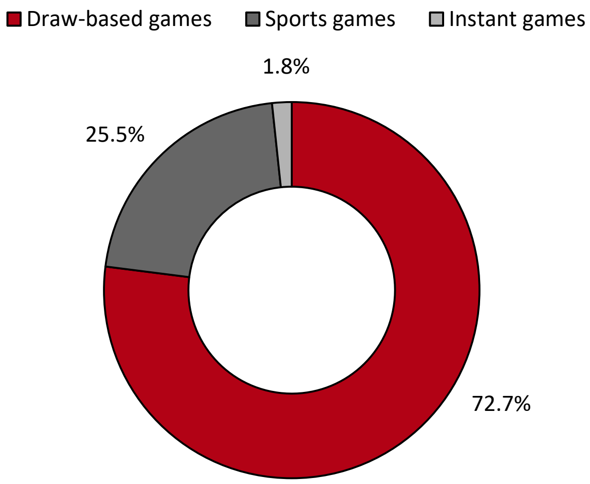


Chart 13 Maltco Lotteries Limited - Turnover by Game
Source: Maltco Lotteries Limited

5.4.2 National Lottery: Gaming Tax

Between January and June 2018, the gaming tax payable by the National Lottery operator stood at €6.3 million, a decrease of 3.7% over the 2017 figures.

	2015		2016		2017		2018
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	5,705,555	5,828,746	6,227,253	6,148,371	6,500,110	6,313,294	6,260,164

Table 22 Maltco Lotteries Limited - Gaming Tax

5.4.2.1 Maltco's Contribution to the Good Causes Fund

In addition to gaming tax, according to law and concession conditions, Maltco contributes to the National Lotteries Good Causes Fund. During the first six months of 2018, Maltco passed on €331,948 to this Fund.

	2015		2016		2017		2018
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	321,762	327,281	290,294	360,724	350,131	334,952	331,948

Table 23 Maltco Lotteries Limited - Contribution to the National Lottery Good Causes Fund

5.4.3 National Lottery: Points of Sale

Maltco Lotteries Limited offers its services through an extensive network of Lotto Booths (Points of Sale) where one can participate in games. By the end of June 2018, the number of Points of Sale amounted to 230 outlets spread across the Maltese Islands.

	2015	2016		2017		2018
	end-Dec	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun
Total	246	232	235	232	236	230

Table 24 Maltco Lotteries Limited - Points of Sale

5.5 Remote Gaming

Between January and June 2018, the Maltese remote gaming industry has expanded further with an increase of 18.5% in the number of licences when compared with the same period of 2017. The enactment of the new Gaming Act is expected to consolidate the industry further, since it provides the necessary operating framework to establish or expand one's operations in Malta.

5.5.1 Remote Gaming: Licences

In the course of the first six months of 2018, a total of 121 applications for a remote gaming licence were received. The number of licences issued during that period stood at 62. The MGA terminated nine licences on the operators' request whilst five licences were cancelled due to regulatory breaches by the respective remote gaming operators. Furthermore, one remote gaming licence was suspended by the Authority's Enforcement Unit.

	2015		2016		2017		2018
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
New applications	58	41	61	67	126	94	121
Licences issued	43	45	42	49	73	92	62
Voluntary terminations	22	13	11	28	25	13	9
Cancelled licences	8	5	16	5	1	2	5
Suspended licences	8	15	2	0	4	1	1

Table 25 Remote Gaming - Licences

5.5.2 Remote Gaming: Number of Companies

As at June 2018, the number of companies holding remote gaming licences stood at 291, an increase of 1.4% when compared to the number of operators registered at the end of December 2017.

	2015		2016		2017		2018
	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun
Total	277	269	250	259	275	287	291

Table 26 Remote Gaming - Number of Companies

5.5.3 Remote Gaming: Distribution of Licences by Class Type

By the end of June 2018, the total number of active remote gaming licences[7] stood at 661, increasing by 5.8% from the levels recorded for the end of December 2017. This growth was, in part, driven by the overall market growth in Class 1 (casino-type gaming) licensing activities.

	2015		2016		2017		2018
	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun
Class 1	20	21	17	16	17	19	23
Class 1 on 4	232	246	253	277	306	359	369
Class 2	95	88	91	89	82	85	90
Class 2 on 4	10	12	16	14	20	31	31
Class 3	33	31	27	28	27	27	29
Class 3 on 4	30	30	31	30	27	22	21

[7] The number of licences relates to the stock as at the end of June and December. Therefore, fluctuations in the number of licences between these months are not reflected in Table 27.

Class 4	54	62	55	59	66	66	78
Controlled Skill Game – Service (B2C)					10	11	14
Controlled Skill Game – Supply (B2B)					3	5	6
Total	474	490	490	513	558	625	661

Table 27 Remote Gaming - Distribution of Licences by Class Type[8]

The Class 1 group of licences (including Class 1 and Class 1 on 4) continued to represent the highest share of total remote gaming licences. During the months under review, they accounted for 59.3% of the total licences registered as at the end of June 2018, an additional 23.8% when compared with the end of December 2017.

The Class 2 group of licences (including Class 2 and Class 2 on 4 licences) had the second highest share of the total number of licences, constituting 18.3% of the total licence base. It could be noted that the total number of Class 2 licences as at June 2018 rose by 5.9% when compared with December 2017.

The Class 3 licences (including Class 3 and Class 3 on 4) accounted for 7.6% of the total MGA licence base, with a total of 50 licences. The number of licences remained stable when compared to the figures reported as at December 2017.

The Class 4 group of licences constituted 11.8% of the total licence base as at June 2018. This represents an increase of 18.2% over the figure reported for December 2017.

As at the end of June 2018, there were 20 skill game licences, out of which 14 were issued for a Controlled Skill Game Licence – Service (B2C) and six for a Controlled Skill Game Licence – Supply (B2B). These constitute 3% of the total licence base, namely 2.1% and 0.9% respectively.

[8] The Remote Gaming Regulations establish four (4) Classes of Remote Gaming Licences, as follows:
(1) **Class 1** – a remote gaming licence whereby the operators manage their own risk on repetitive games. It is also possible to have a Class 1 on 4 whereby the Class 1 licensee operates its games on the software and, in certain cases, through the equipment of a Class 4 licensee. Examples of Class 1 licences would include casino-type games and online lotteries;
(2) **Class 2** – a remote betting licence whereby operators manage their own risk on events based on a matchbook. It is possible to have a Class 2 on 4 licence whereby the Class 2 licensee operates its games on the software and, in certain cases, through the equipment of Class 4 licensee. An example of Class 2 licence would include fixed-odds betting;
(3) **Class 3** – a licence to promote and/or abet remote gaming in or from Malta. It is possible to have a Class 3 on 4 licence whereby the Class 3 licensee operates its games on the software and, in certain cases, through the equipment of Class 4 licensee. An example of Class 3 licence would include poker networks, peer-to-peer (P2P) gaming and game portals;
(4) **Class 4** – a licence to host and manage remote gaming operators, excluding the licensee itself, whereby software vendors provide management and hosting facilitates on their platform.

The Skill Game Regulations establish two (2) Controlled Skill Games Licences, as follows:
(1) **Controlled Skill Game – Service (B2C)** - a controlled skill games licence to provide a service for the purpose of engaging with end consumers;
(2) **Controlled Skill Game – Supply (B2B)** - a controlled skill games licence to provide a supply, that is, in a business-to-business capacity.

5.5.4 Remote Gaming: Customer Accounts

During the first six months of 2018, the estimated number of total active customer accounts[9] increased by 21.9% when compared with the corresponding period last year. In particular, the number of active customer accounts within the Class 1 and Class 2 group of licences registered a considerable growth over the previous reporting period, of 27.2% and 15.4% respectively, when compared with the numbers recorded for January - June 2017. On the other hand, the number of accounts for Class 3 group of licences remained practically unchanged, increasing only by 0.7%.

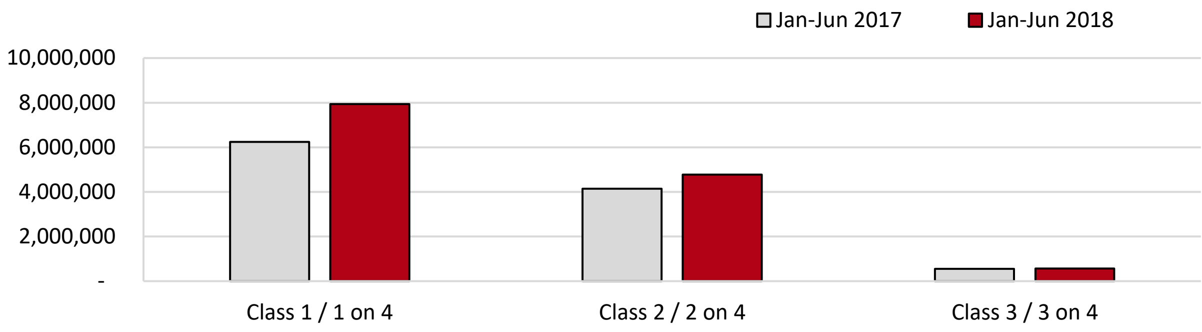


Chart 14 Remote Gaming - Active Customer Accounts

In terms of the number of new active customer accounts[10], between January and June 2018, it was estimated that there were 14.3% more, when compared to the same period in 2017. The number of new customer accounts for the Class 1 group of licences continued to follow the trend experienced during the previous reporting periods, increasing by a further 16.6% over the first six-month period of 2017. Similarly, the numbers estimated for the Class 2 group of licences increased by 6.4%. On the contrary, the number of new active accounts on Class 3 licensed activity experienced a considerable drop of 31.6% during the first six months of 2018. This reflects the trend which has been noted in the previous reporting periods, thus confirming the decline in popularity for poker and other peer-to-peer games.

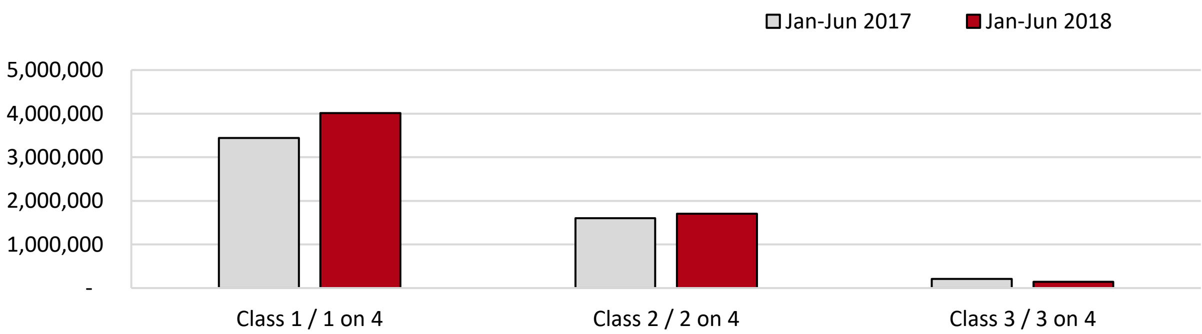


Chart 15 Remote Gaming - New Active Customer Accounts

[9] Active accounts are defined as those on which customers played at least once during the reporting period. The number of active customer accounts for Class 1, Class 2 and Class 3 licensed activity needs to be treated separately as these are not the unique number of accounts for the sector.

[10] New active customer accounts are defined as those on which customers played for the first time during their lifetime with the company during the specified period. The number of active customer accounts for Class 1, Class 2 and Class 3 licensed activity needs to be treated separately as these are not the unique number of accounts for the sector.

5.5.5 Remote Gaming: Players' Profile

5.5.5.1 Demographic group

Between January to June 2018, the highest number of players were recorded to be in the 25 - 34 age group, accounting for 38.2% of all the remote gaming players playing on websites licensed by the MGA. These were followed by players within the 35 - 54 cohort, which accounted for 32.7% of all players. The remaining groups remained fairly stable when compared to the apportionment reported in the previous reporting periods.

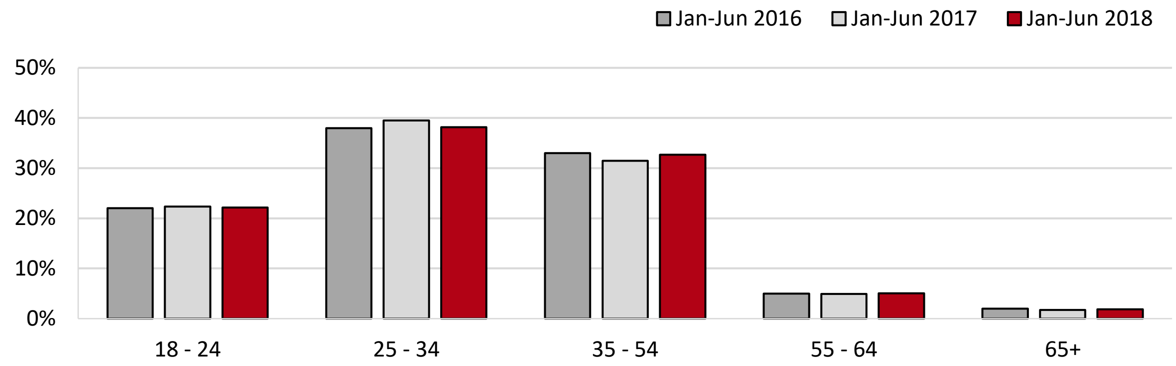


Chart 16 Remote Gaming - Players' Profile by Age Group Distribution

In terms of the gender distribution among the remote gaming players, when compared to the same period of 2017, the vast majority of the customers were male, accounting for 76.5% of the total number of players, followed by 21.5% which reported to be females and 2% being gender X[11].

5.5.5.2 Deposits as a method of payment

In contrast to what has been noted in the previous reporting periods, between January and June 2018, the most popular method of payment used for deposits was by bank transfer. During the period under review, such a method was used by just over 32% of the customers of the MGA's licensed companies, an increase of seven percentage points over the same period in 2017. This was followed by credit/debit cards and e-wallet and online accounts which accounted for 31.5% and 23.3% respectively. When compared to what has been reported between January and June 2017, these two method of payments experienced a decline, in terms of preference by the customers of the MGA's licensed companies, of 7.1% and 10.5% respectively. The remaining 13.2% of all deposit payments were made by other types of payment methods.

[11] Gender type, which is not exclusively male or female, including those who identify with a gender other than male or female, as more than one gender, or as no gender, identifying as a combination of genders or not identifying with either gender at all.

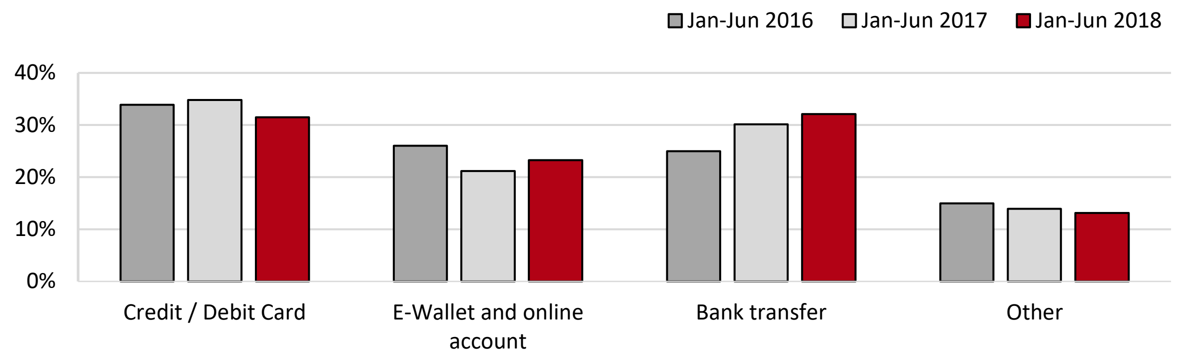


Chart 17 Remote Gaming Players - Method of Payment (Deposits)

5.5.5.3 Withdrawals as a method of payment

With reference to the method of payment for withdrawals, bank transfer remains the most preferred method, resulting in 49.7% of all the withdrawal methods. However, such a method experienced a drop of six percentage points when compared with the same period in 2017. E-wallet and online accounts, as a method of payment for withdrawals, seems to be gaining popularity among the customers of the MGA's licensed operators since this method experienced an increase of 11.7% over January - June 2017, accounting for 28.4% of all withdrawals methods. In contrast, the option of using credit/debit cards has registered a drop of 9.4% when compared with the same six-month period of 2017, resulting in a share of 19.7%. The remaining 2.3% of the withdrawals were made through pre-paid vouchers, mobile payments and other methods.

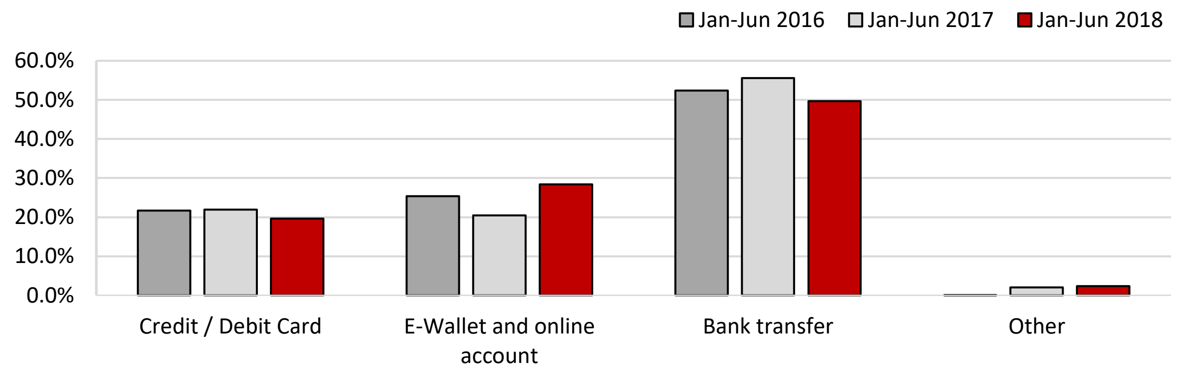


Chart 18 Remote Gaming Players - Method of Payment (Withdrawals)

5.5.6 Remote Gaming: GGR From Business-to-Consumers Activities (Licence Groups 1 to 3)[12]

During the period January to June 2018, it was estimated that 56% of the total GGR was generated through gaming under the Class 1 licence group. This represents a growth of two percentage points over the same period of 2017, corresponding to the developments in licences and player accounts

[12] The business model of Class 4 operation is different from Classes 1, 2 and 3. Consequently, it is not possible to compute the GGR since Class 4 operators do not deal with any aspects of the game or players' winnings, but offer platform services for other operators (B2B). In addition, figures related to skill games operation were excluded from such analysis due to minimal activity generated throughout the first six months of 2018.

noted earlier on. The GGR generated from Class 2 groups of licences accounted for 36.2% of the total whilst the GGR of Class 3 operators amounted for 7.8%.

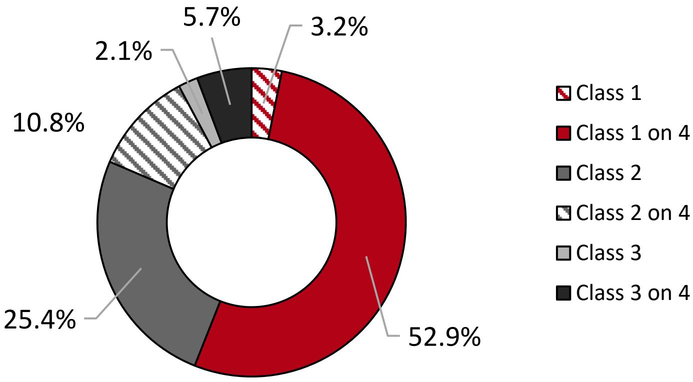


Chart 19 Remote Gaming - GGR Distribution

5.5.6.1 Class 1 / Class 1 on 4

In line with the share reported in the previous reporting period, during the first six months of 2018, 77% of the GGR was generated through slot games whilst 18.5% was generated through table games. The remaining 4.6% of the GGR was generated by other games, the most popular of which were video poker, scratch cards, card games and other side/mini games.

Figure 1 Remote Gaming - Class 1 GGR Distribution (January - June)

5.5.6.2 Class 2 / Class 2 on 4

During the period under review, out of the total GGR generated by Class 2 group of licences, 76.7% was generated through football bets, an increase of almost five percentage points when compared with the same period in 2017. Similarly to what was generated in the previous periods, betting on tennis games constituted 8.6% while bets on basketball accounted for 6.5%. The remaining 8.2% of GGR was generated through other bets, the most popular being ice hockey, handball, volleyball, baseball and badminton.

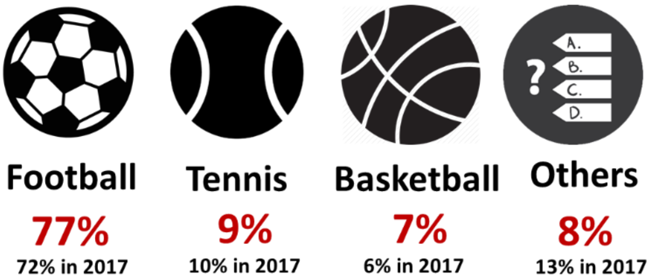


Figure 2 Remote Gaming - Class 2 GGR Distribution (January - June)

5.5.6.3 Class 3 / Class 3 on 4

Throughout the six-month period ending 30 June 2018, poker continued to generate a major share of the GGR for Class 3 licences, accounting for 73% of the total. GGR from betting exchange constituted 18.9% of the GGR whilst bingo's GGR accounted for 7.6% of the total. The remaining 0.5% was generated by other games offered through Class 3 licences.

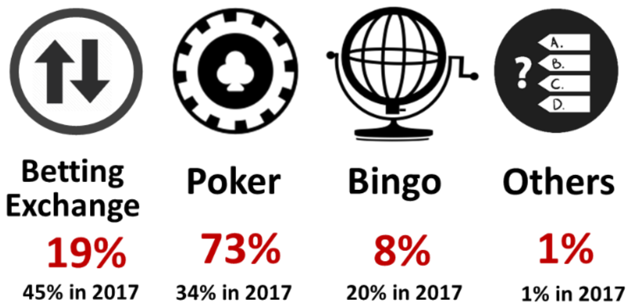


Figure 3 Remote Gaming - Class 3 GGR Distribution (January - June)

5.5.7 Remote Gaming: Revenue From Business-to-Business Activities (Class 4 licences)[13]

It has been estimated that out of the total revenue generated by Class 4 operators during the six-month period ending June 2018, almost one-half was generated from Class 3 activities. Just over 40% was generated from Class 1 group of licences. The remaining 10.3% of the revenue for Class 4 operators was generated from Class 2 licences.

5.5.8 Remote Gaming: Gaming Tax

During the period under review, the total gaming tax payable by the remote gaming operators amounted to just over €13.6 million, a 1.9% increase when compared with the same period of 2017.

	2015		2016		2017		2018
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Class 1	802,440	740,840	695,320	600,433	625,260	737,240	787,204
Class 1 on 4	1,645,200	1,787,002	1,860,000	1,896,418	2,061,718	2,285,353	2,574,000
Class 2	6,656,322	6,561,525	6,506,714	6,274,317	5,860,393	5,337,447	5,029,106
Class 2 on 4	1,416,182	1,411,916	1,376,806	1,172,521	1,430,588	1,479,634	2,030,025
Class 3	802,618	769,634	778,985	650,875	439,687	464,349	488,737
Class 3 on 4	1,142,659	1,145,231	1,068,237	964,855	1,047,865	905,471	856,232
Class 4[14]	1,603,040	1,698,390	1,782,645	1,649,287	1,834,875	2,022,440	1,777,790
Skill Game					1,916	13,627	8,456
Total [€]	14,068,462	14,114,538	14,068,706	13,208,706	13,302,303	13,245,560	13,551,550

Table 28 Remote Gaming - Gaming Tax

The largest portion of gaming tax comes from Class 2 group of licences, which, during the first six months of 2018, accounted for 52.1%. Tax due from Class 1 group of licences represented 24.8% of the total tax whilst tax from Class 4 licences (including tax paid by the EEA operators) accounted for 13.1% of the total tax. Tax due by Class 3 groups of licences accounted for 9.9%. The remaining share was due from operators holding a Controlled Skill Games Licence.

5.5.9 Remote Gaming: Employment[15]

The total number of full-time equivalent employees directly working with remote gaming companies licensed by the MGA went up by 2.7%, from 5,861 reported in December 2017 to 6,021 as at June 2018.

	2015		2016		2017		2018
	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun	end-Dec	end-Jun
Total	3,318	3,908	5,295	5,327	5,542	5,861	6,021

Table 29 Remote Gaming - Employment (FTE)

[13] The revenue for Class 4 operators is a commission/royalty which is being invoiced to the gaming operators for the usage of the platform (before expenses are subtracted to determine net income).
[14] Class 4 category includes tax paid by the European Economic Area (EEA) operators working on Class 4.
[15] This number refers to direct employees working on the MGA licensed activity. Kindly refer to point 5 of the Methodology for more information.

As at the end of June 2018, 63.3% of all employees within the remote gaming industry in Malta were male. The ratio of male to female employees has remained relatively stable when compared to the data registered as at the end of 2017.

The number of non-Maltese workers in the remote gaming industry constituted 70.4% of all employees in this sector, in line with the nationality distribution registered as at the end of 2017.

6 Methodology

1. These statistics relate to the gaming industry in Malta and have been collated by the MGA. The sources are:

   - regulatory returns submitted by operators in terms of article 11(o) of the Lotteries and Other Games Act[16];
   - information provided by operators through specific questionnaires and correspondence with the MGA; and
   - financial information provided by operators to the MGA.

2. Unless otherwise stated, figures are representative of the position as at the end of June 2018.

3. The data contained in this review covers both the Maltese land-based gaming sector (casinos, gaming parlours, commercial bingo, national lottery, betting and the suite numbers games provided by the National Lottery operator – Maltco Lotteries Limited) and remote gaming as regulated by the MGA.

   In the section referring to remote gaming, the data collected is based on the Industry Performance Return disseminated amongst all companies within the gaming industry that are licensed by the MGA. In order to collect this data, licensed companies were asked to answer a set of questions for the Maltese licensed activity only. The response rate, at the cut-off date for processing of the records for this reports, was 92% overall. The remaining missing data has been estimated by the Authority to provide a clear picture of the Maltese gaming industry.

   One of the main aims of this research is to acquire an accurate snapshot of the activity being generated by all the companies that are licensed under the MGA. Hence, several imputation methodologies and weighting techniques were adopted to 'fill-in' the missing data. In order to ensure better data representation, companies were divided into two groups. The first group represented those companies with Class 1, Class 2, Class 3 and Controlled Skill Game – Service (B2C) licences, and the second group represented those companies that have Class 4 and/or Controlled Skill Game – Supply (B2B) licences. Replies for these two groups of companies were analysed differently as most of the Industry Performance questions are not applicable to the same extent.

   After performing data collection, data cleaning commenced to ensure consistency of results. In case of doubt, operators were contacted again to clarify their responses. Subsequently, an imputation technique was applied to account for the missing data and thereafter questions were analysed thoroughly one by one. After obtaining the initial results, weighting techniques were applied to ensure that the results represented the whole population. Results were analysed in a way to obtain the total values amongst all Maltese-licensed activity.

[16] Replaced by Article 7(2)(d) of the Gaming Act (Chapter 583 of the Laws of Malta).

4. Figures related to skill games operation were excluded from the following sections: (4) Customer Accounts, (5) Profile of the Remote Gaming Players, (6) GGR Distribution, due to limited activity throughout the period under review.

5. Employment figures reported in this document refer to full-time equivalent jobs as at the end of each reporting period provided by the gaming operators (land-based, remote and controlled skill game licence holders) in the Industry Performance Return conducted by the MGA. The remote gaming figures relate to employees working directly on the MGA licensed activity.

6. The contribution of the gaming industry to the Maltese economy relates solely to Gambling and Betting activities (Nace 92) in accordance with the European industrial activity classifications. At industry level, Gambling and Betting activities in Malta comprise land-based casinos, gaming parlours, lotto receivers, the National Lottery operator and remote gaming companies (excluding Class 4 operators).

7. Wherever possible, the MGA has provided comparable datasets.

8. The terminology used in this document is explained under Definitions.

9. Totals and percentages are calculated from unrounded figures.

10. The statistical figures reported for the previous periods have been revised to reflect any changes reported after their publication.

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Annex 1 Definitions

Gross Gaming Revenue (GGR)	The amount retained by operators after payment of winnings and jackpot allocation but before the deduction of the cost of the operation. The GGR is the figure used to determine what a gaming operation earns before taxes, salaries and other expenses are paid.
Junket	The arrangement, the purpose of which is to induce any person residing outside Malta, selected or approved for participation therein, to come to a gaming premises in possession of a concession issued by 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 is directly or indirectly paid by the authorised person operating the gaming premises.
Players' Visits	Represents the number of separate visits, rather than the number of unique customers. In cases of casino attendance, the total figure includes junket players.
Payout Ratio	The amount of money that is rewarded upon a win.

Annex 2 Statistical Regions and Districts of Malta

Local Administrative Units (LAUs)	
Districts (LAU 1)	Locality (LAU 2)
Southern Harbour	Cospicua, Fgura, Floriana, Ħal Luqa, Ħaż-Żabbar, Kalkara, Marsa, Paola, Santa Luċija, Senglea, Ħal Tarxien, Valletta, Vittoriosa, Xgħajra.
Northern Harbour	Birkirkara, Gżira, Ħal Qormi, Ħamrun, Msida, Pembroke, San Ġwann, Santa Venera, St Julian's, Swieqi, Ta' Xbiex, Tal-Pietà, Tas-Sliema.
South Eastern	Birżebbuġa, Gudja, Ħal Għaxaq, Ħal Kirkop, Ħal Safi, Marsaskala, Marsaxlokk, Mqabba, Qrendi, Żejtun, Żurrieq.
Western	Ħad-Dingli, Ħal Balzan, Ħal Lija, Ħ'Attard, Ħaż-Żebbuġ, Iklin, Mdina, Mtarfa, Rabat, Siġġiewi.
Northern	Ħal Għargħur, Mellieħa, Mġarr, Mosta, Naxxar, St Paul's Bay.
Gozo and Comino	Fontana, Għajnsielem, Għarb, Għasri, Munxar, Nadur, Qala, San Lawrenz, Ta' Kerċem, Ta' Sannat, Victoria, Xagħra, Xewkija, Żebbuġ.

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