



Guide to EGaming in the Isle of Man

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BACKGROUND

The Isle of Man is a self governing Crown Dependency. The Island is part of the British Isles and the Queen is the Head of State but the Isle of Man is not and never has been part of the United Kingdom. The UK Parliament does not legislate for the Island's internal affairs. The UK government is only responsible for the defence, external affairs and the ultimate "good government" of the Island. The Isle of Man government is consulted on any international convention, treaty or agreement that would affect the Island. By convention, the consent of the Manx government is also sought before the UK's ratification of any such agreement is extended to cover the Isle of Man. However, nowadays in developments reflective of the Island's growing prominence on the world stage, the Isle of Man is dealing state to state on with international matters that directly affect it. For example, the Island is an active member of the Organization for Economic Co-operation and Development's Global Forum and is represented at ministerial level at the summits of the British-Irish Council.

The Isle of Man has its own judiciary and legal system that draws on the principles of English common law but has its own law making powers. The Island has a stable political system with its own parliament, Tynwald, which is the oldest legislature in the world in continuous existence. Tynwald has two branches, consisting of the House of Keys (which is elected by universal suffrage) and the Legislative Council (whose members are elected by members of the House of Keys). The twenty four members of the House of Keys are elected every five years.

The Isle of Man is recognised as one of the most reputable jurisdictions in the area of e-gaming. Despite recent global financial turmoil, the Island is in its twenty fifth year of unbroken growth (growth in the economy having averaged at more than 6% per year in real terms over the past twenty five years) and has been able to maintain its coveted AAA credit rating from both Standard and Poor's and Moody's credit rating agencies.

Relationship with the European Union

The Isle of Man has what is referred to as a "special relationship" with the European Union, as set out in Protocol 3 of the United Kingdom's Treaty of Accession 1972. Under this special relationship, the Island is neither a member state nor an associate member of the European Union. Under Protocol 3, the Isle of Man forms part of the customs' territory of the EU. It follows that there is free movement of industrial and agricultural goods in trade between the Island and the Union itself. The Island neither contributes to, nor receives funds from the European Union, thus guaranteeing the Isle of Man's fiscal independence. Any proposal to change Protocol 3 would require the unanimous approval of all member states of the Union, including, of course, the UK. Apart from the requirements of the Protocol, the other Union rules do not apply.

The Island's International Reputation

A number of independent assessments of the Island's regulatory framework have been conducted. Going back twelve years, there was the Edwards Report for the UK Home Office in 1998 and the assessment by the Financial Stability Forum of May 2000, which identified the Island as a Category 1 jurisdiction. More recently, the International Monetary Fund ("IMF") published its review of the Island on 14 September 2009, confirming the Isle of Man's continuing high standards of compliance with global standards of regulation and supervision not only in the financial services but also the e-gaming sectors.

The IMF examined the Island's anti money laundering provisions; its regulatory and supervisory systems; the soundness of its financial system and the jurisdiction's ability to cope with stress situations. Importantly, the visit by the IMF to the Island, included a review of the jurisdiction's online gambling

legislation and anti money laundering code for the online gaming industry. The review also included meetings with and a review of the role of the Island's regulatory body involved with supervising the industry on the Island, namely the Gambling Supervision Commission ("GSC").

The IMF report confirmed that the Isle of Man is among the top countries in the world with regard to its implementation of the recommendations of the Financial Action Task Force ("FATF") to combat money laundering and terrorist financing.

The IMF commented in the report, "the Isle of Man authorities takes their responsibilities in the area of international co-operation seriously", the Island is "broadly compliant" with most aspects of the recommendations of the Financial Action Task Force relating to money laundering and terrorist financing and maintains a "high standard" with a "very high level of awareness" of the risks and requirements associated.

In April of last year, the Isle of Man was placed on the OECD's white list as implementing internationally agreed tax standards. The Island also did well in the Foot Report of the Independent Review of British Offshore Financial Centres, recognising that the Isle of Man has and continues to make efforts to ensure that it is well regulated.

UK Gambling Act 2005 and the "White List"

Under section 331(4) of the UK's Gambling Act 2005 (the "2005 Act"), the Secretary of State has the power to designate certain countries or places permitted to advertise remote gambling services in the UK. That list is more commonly referred to as the white list and jurisdictions that wish to be included must demonstrate that their regulatory system for online gambling is robust and meets the UK government's published criteria.

Section 331 of the 2005 Act permits the advertising of gambling services in the UK from European Economic Area member states, Gibraltar and jurisdictions contained in the white list. There are currently four jurisdictions on the white list, namely; the Isle of Man, Alderney, Antigua and Barbuda and Tasmania. The UK government does not require that a jurisdiction's licensing and regulatory regime mirrors that of the UK. The principal issue for the UK is whether a jurisdiction has within its legislative and regulatory regime the same core values as set out in the 2005 Act. These are that the applicant jurisdiction regulates online gambling in order to protect the young and vulnerable from being harmed or exploited; to keep crime out of the industry; to ensure that online gambling is conducted fairly, and that the jurisdiction has the facilities and resources in place to ensure compliance with and enforcement of the foregoing. In assessing applications for the white list, the UK government must also be satisfied that the jurisdiction has the capacity, technical and regulatory ability, and political impetus necessary, to enforce its regulation.

Once a jurisdiction is added to the white list, it is subject to monitoring to ensure continuing compliance with the relevant criteria and jurisdictions are required to inform the UK government of any changes to their legislative and regulatory systems or policies. Operators from white listed countries must comply with UK advertising provisions, in particular the relevant advertising codes that are regulated by the Advertising Standards Authority.

The UK government retains the power to review the regulations at any time and ask for further information. Further, it reserve powers to remove a jurisdiction from the white list if, at any stage, there is concern that their regulatory or licensing system no longer satisfies the relevant criteria. The UK government has issued a consultation document regarding the white list and potential changes thereto, with responses due by 18 June 2010.

Taxation

With effect from 6 April 2006, the general rate of corporate tax in the Isle of Man is 0%. A higher rate of 10% applies to the following sources of income:-

- income arising from banking business carried on by Isle of Man licensed banks; and,
- income arising from land and property in the Isle of Man, including both rental income and profits derived from dealing in or developing land.

Rates for individual income tax are 10% base rate with 20% as the higher rate as well as generous personal allowances. Another concept introduced by the 2006 budget was the “tax” cap of £115,000 on an individual’s income tax liability. This tax cap is available, on application to the Assessor of Income Tax, for all tax payers, both current residents and new residents alike.

The Island operates value added tax on supplies of goods and services in a similar manner to the UK and is party to a “common purse agreement” with the UK for sharing VAT receipts. The Island’s VAT register is administered separately by the Isle of Man Government’s Customs & Excise Division. The Island’s VAT receipts contribute significantly to the strength of the Island’s public finances.

IT INFRASTRUCTURE AND TELECOMMUNICATIONS

The Isle of Man has world-class telecommunications infrastructure and services which cater for the full range of modern corporate voice and data communications and has its own Communications Commission that regulates telecommunication providers and internet service providers on the Island.

The Island has 100% ADSL broadband availability to both households and business premises. Manx Telecom was one of the first operators in the world to offer broadband ADSL services to customers, having become the first in Europe to launch a live 3G network in December 2001. In November 2005, it became the world’s first company to offer a HSDPA (3.5G) service.

Connectivity off the Island is provided by two resilient fibre optic rings, owned respectively by BT and Cable & Wireless, which connect the Island with the North of England and Northern Ireland. These links employ `self-healing SDH loop` technology which guarantees that if a fault occurs at any part of the link, voice and data traffic is seamlessly re-routed in the other direction. Their total available capacity is 3 million channels (240 gigabytes), with a current capacity utilisation of less than 0.2% on the main cable alone. In addition, the Manx government owns a third undersea cable connecting the Island with the North of England and offers further capacity to support Island businesses.

E-GAMING LEGISLATION

Historically in the Isle of Man, online gaming was regulated under the terms of the Online Gambling Regulation Act 2001 and online betting was regulated by the Gaming, Betting and Lotteries Act 1988. It was recognised however that it was simpler to have all forms of online gaming and online betting fall under one legislative regime and this was effected by the passing of legislation that meant that from 1 September 2007, all online gaming and online betting in the Isle of Man is regulated under the terms of the Online Gambling Regulation Act 2001 (“OGRA”) and secondary legislation made thereunder.

Under the terms of section 1(1) of OGRA, “online gambling” is defined as: -

“Any gaming, where any player enters or may enter the game, or takes or may take any step in the game by means of a telecommunication; the negotiating or receiving of any bet by means of a telecommunication or any lottery in which any participant acquires or may acquire a chance by means of a telecommunication.”

Under section 1(2), a person “conducts” online gambling where: -

“in the case of gaming or a lottery, he takes part in its organisation, management or promotion; in the case of a bet, he carries on any business involving the negotiating or receiving of the bet; or he maintains or permits to be maintained in the Island any computer or other device on or by means of which the game or lottery is operated or the bet is received as the case may be.”

To make sense of the definition of conducting online gambling, one of course has to look at the definitions of key terms used in section 1. Section 25 of OGRA provides the following definitions:-

- a 'bet' does not include any bet made or stake hazarded in the course of, or incidentally to, a game of chance;
- a 'game' includes a game played by one person by means of a computer or other device, even though no other person participates in the game;
- a 'game of chance' does not include any athletic game or sport but, with that exception, includes a game of chance and skill combined and a pretended game of chance or of chance and skill combined;
- 'gaming' means the playing of a game of chance for winnings in money or money's worth, whether or not any person playing the game is at risk of losing any money or money's worth.

English judgments determined under English law before the coming in to force of the UK's Gambling Act 2005 would be persuasive on a Manx court in interpreting the definitions in OGRA, including key terms such as “bet” and “games”.

Given the terms of section 1 of OGRA, it is clear that the following offerings would require an OGRA licence:-

- online sportsbooks;
- online betting exchanges;
- online casino games (for example, roulette, blackjack, slots);
- online live dealing;
- online peer to peer games (for example, poker, bingo, backgammon, Mah-jong);
- mobile phone betting;
- online financial trading (but not spread betting);
- online pari-mutuel and pool betting;
- network gaming;
- online lotteries;
- certain spot-the-ball style games held online.

The foregoing list is not exhaustive and the Gambling Supervision Commission, although it is always willing to discuss business models with potential operators, will expect each applicant for an OGRA licence to take its own legal advice as to whether or not what it intends to offer falls under the remit of OGRA.

If a potential operator proposes to offer services that fall under the definition of online gambling as defined in OGRA and do not fall under the carve outs set out in section 3 of OGRA, or the secondary legislation made thereunder (see further below), then an OGRA licence will be required under the terms of section 4.

ACTIVITIES NOT REQUIRING A LICENCE UNDER OGRA

Spread Betting

Spread betting is not currently regulated under OGRA and any moves to introduce spread betting to the Isle of Man would have to first be discussed with the Isle of Man Financial Supervision Commission.

Offering Freeplay Games

Where no money or money's worth can be won or lost and where success cannot be translated into access to cash games, no gambling is deemed to take place and so no OGRA licence is required.

Games of Skill

Where money or money's worth may be won or lost but where absolutely no element of randomness or chance exists then an OGRA licence is not required. This will of course very much depend on the game in question and is more a question of fact than a question of law.

Section 3 of OGRA

Section 1(3) of OGRA provides that a service provider shall not be treated as conducting online gambling by reason only that, in the course of a business, the service provider handles electronic communications on behalf of another party with whom he is not associated. Accordingly, provided that a hosting company is not associated with an online gaming company that it is providing hosting services to, then the hosting company will not require to be licensed under OGRA. The hosting company will however require a licence under the Isle of Man's Telecommunications Act 1984.

There are also exclusions under section 3 of OGRA for certain business carried out online such as insurance business and investment business as such are contracts to which section 46 of the Financial Services Act 2008 applies and therefore are activity regulated by the Isle of Man's Financial Supervision Commission.

Section 3(1)(f) of OGRA provides that the Isle of Man Treasury may prescribe in regulation certain activities that do not require licences. The most recent regulations are the Online Gambling (Exclusions) Regulations 2010, which came in to force on 1 January 2010.

ONLINE GAMBLING (EXCLUSIONS) REGULATIONS 2010

Marketing, Market Analysis and Marketing Services

Provided that the relevant operator adheres to the general advertising guidelines that apply to operators in the Isle of Man and provided that the relevant company's operations are regulated in another jurisdiction, an operator may locate and carry out marketing functions or services into the e-gaming market from the Isle of Man without the need for an OGRA licence.

Marketing activities carried out from the Isle of Man may not target a market unless the operator for which the advertising is being conducted has access to that market through licensing or other arrangements. Likewise, despite its location in the Isle of Man, such an operation would not be able to claim Isle of Man regulation in any form (unless of course the particular activity were being conducted by or for an Isle of Man licensed operator).

Marketing activities cover such diverse aspects of operation as identifying target markets; creating marketing material, the transmission of material to existing or prospective players, the creation and placement of material in real or virtual environments, the analysis of player behaviour and the often lucrative procurement and onward transmission of prospective players to gambling site (so called affiliate activity).

Administration

Where the activity in the Isle of Man operation is limited to record-keeping, accounting, the processing of money (e.g. players' money, company investments, the day-to-day invoices and credits that accompany regular business, etc.) and/or the monitoring of online gambling by players (e.g. as chat moderators on a peer to peer site, as traders making decisions on betting offers, as a security department verifying player identities, authorising withdrawals and investigating suspected instances of fraud, collusion or abuse, etc) then no OGRA licence is required.

Web Design

While the operation of a website may require an OGRA licence (see above), its design, construction and maintenance does not.

Software Design

The design and/or sale of software that is used by gambling operators whether online or in the back office and whether as games or as auxiliary services (such as player accounts and registration software and random number generation) does not require an OGRA licence.

This exclusion extends to the testing, integration and maintenance of leased or sold software, whether the maintenance is done on an ad-hoc basis or through a regular series of patches and updates.

Provision of IT Services

The provision of hardware, operating systems and associated applications (including the hosting of such operations) which enable online gambling to occur does not require an OGRA licence. Likewise the updating and repair of such systems is not a licensable activity.

It is important to note that this activity does however become licensable when the agency which supplies the infrastructure subsequently uses it to:

- offer the game;
- register players;
- strike the bet;
- supply random numbers or their equivalent.

Presenting the Results of Play

The Gambling Supervision Commission regards any gameplay where a random number generator ("RNG") is used as having two distinct phases: the generation phase and the presentation phase.

In the generation phase, the RNG algorithm is polled for a random number and this number is supplied. This generation phase is licensable if it occurs in the Isle of Man because the GSC insists on knowing that such RNGs are truly random and so has such tested periodically.

In the presentation phase, the results of that random number are presented to a player. This presentation phase is not licensable if it occurs in, or is supplied from the Isle of Man.

Provision of Call Centre and Customer Support

Call centres, whether they use telephones, e-mail, chat or any other form of communication can be sited in the Isle of Man and do not require an OGRA licence.

Supply of Downloaded Software

Some online gambling uses software which is first downloaded from a server via the internet and installed on the player's computer. This application then connects to the operator's network or servers and allows play to occur. The hosting of such software for download does not require an OGRA licence.

Provision of Relay Servers

A server may be maintained in the Isle of Man which functions as a 'relay station' for data originating elsewhere. It may be used to buffer data before onward transmission or it may be used to 'boost' a signal's transmission characteristics. The data may even be stored in the server pending retrieval.

Provided that the information of the data that arrives at such a server is not "modified in meaning" before it is re-transmitted to another destination, it does not require an OGRA licence.

The following list indicates the kind of changes such data can be subjected to without it being classed as modified in meaning:

- the data can be compressed;
- the data can be transformed from one protocol to another;
- the data can be copied, perhaps into multiples of itself;
- the data can be encrypted or decrypted.

Hosting Disaster Recovery Facilities

Business continuity and having processes in place to deal with denial of service attacks is essential for remote gambling operators. Given its excellent technical infrastructure, the Isle of Man is keen to be a centre of excellence not just for remote gambling operators wishing to be licensed in the Isle of Man but also as a jurisdiction providing disaster recovery services. In view of this, regulations to allow the provision of disaster recovery facilities from the Isle of Man were put in place in 2006 and then updated in 2007 in the form of the Online Gambling (Disaster Recovery) (No. 2) Regulations 2007 (the "2007 Regulations").

The 2007 Regulations do not provide a licensing regime for those providing disaster recovery services from the Isle of Man nor do they provide for an accreditation of disaster recovery providers, it being felt that it was best for this to be industry driven rather than driven by the regulator. The core of the 2007 Regulations is that a disaster recovery provider in the Isle of Man does not need a licence under OGRA to provide disaster recovery facilities and services to an operator that is not licensed in the Isle of Man. A data centre providing disaster recovery services to off-Island gambling operations within its facilities in the Isle of Man will need to be approved by the GSC and added to its list of approved disaster recovery providers. Once on the list of approved suppliers, the data centre will be added to the list on receipt by the GSC of the statutory fee of £5,000. This fee is payable annually.

The relevant disaster recovery provider must inform the GSC of the names of any provider it intends to provide a disaster recovery service for prior to the service commencing, together with a copy of the operator's current licence from its overseas regulator.

If the disaster recovery provider requires to provide its disaster recovery service to allow the overseas online gambling operator to operate in a live environment from the Isle of Man for a period exceeding 30 days in any twenty four month period, the disaster recovery provider requires the consent of the GSC to an extension of this period. The definition of "disaster" is wide enough to cover denial of service attacks, force majeure events or any other unplanned event beyond the reasonable control of the overseas operator.

OBTAINING A LICENCE UNDER OGRA

The legislation lays particular emphasis on three core principles, namely:-

- keep gambling crime free;
- protect the young and vulnerable; and to
- ensure that the facilities offered by operators are fair and that players receive their true winnings.

From 1 September 2007, both due diligence on potential licensees and the granting of licences has been done by one body, namely the Gambling Supervision Commission.

The GSC was originally established in 1962. It is one of the longest established gambling regulatory body in the world and regulates the entire gambling industry in the Isle of Man, both land based and online, excluding the United Kingdom National Lottery.

The GSC:-

- is responsible for the granting of licences under OGRA and the undertaking of due diligence required before licences are granted;
- ensures that gambling in and from the Isle of Man is fairly and properly conducted and that the provisions of OGRA and the regulations made thereunder are complied with;
- undertakes the post licensing supervision of online gambling operators in the Isle of Man;
- has the legal right to enter premises of licensed operators to access records and documentary information.

Under the terms of OGRA, the GSC will undertake due diligence on any party applying for a licence or otherwise concerned with the operation of any potential licensee.

In addition to compliance with OGRA, an operator wishing to establish in the Isle of Man must satisfy the following criteria:-

- it must establish a Manx company under the Companies Acts 1931-1974 or the Companies Act 2006;
- it must have at least two local directors, who must be individuals and not corporate entities;
- it must appoint at least one resident Designated Official (DOs), or where that Designated Official cannot reside in the Isle of Man, an Operations Manager (OM);
- it must register players in the Isle of Man and the servers where the bet is struck must also be on the Island, with the relevant games hosted from these servers;

- gambling and trading accounts should be located in a bank in the Isle of Man.

Initially, a completed application form and statutory application fee must be submitted to the GSC by an applicant or their representatives. The application package can be obtained from <http://www.gov.im/gambling/applications.xml>: a hard copy must be submitted containing all the necessary signatures.

While representatives, such as lawyers or corporate service providers on the Island can perform much of the administrative procedure on behalf of the applicant, it is not a statutory requirement for an application to be made by, or through them.

Once the Inspectorate is satisfied that an application has been fully completed and it has received the £1,000 processing fee, it will typically process the entire licence within a ten to twelve week period.

Sub-licences

A sub-licence can be obtained if the applicant wishes to operate exclusively with a technology provider with a full OGRA licence regulated by the GSC. An applicant must still apply to the GSC for their sub-licence which costs £5,000.

With the reduced licence fee, the sub-licence lends itself to the smaller operator looking to establish and grow a presence and to the company that has assets to monetise (e.g. a player database) but no established gaming infrastructure.

Any new operator that wants to use the games offered by a network operator can obtain a sub-licence. The condition will be that the sub-licence holder is tied exclusively to the relevant network operator for its games. Should the sub-licence holder use the games of another network or create its own games, it would be in breach of its licence conditions and the sub-licence holder would need to discuss their proposal with the GSC before making that move. If a sub licensee however wishes to switch from one Isle of Man technology provider to another, the GSC allows an agreed period of grace during which the transition can occur and the strict sub-licence requirements to remain with one provider alone are waived. The realities of such a shift would see a wind down period with the old provider and a period of testing and integration with the new. Such intentions to switch must always be notified to and agreed by the GSC. There is no less of a requirement to check the competence and integrity of the business because it is requesting a sub-licence. All pre-licensing checks and requirements still require to be effected.

The GSC is available to offer guidance on the process and discussion around the interpretation of the OGRA rules at every stage of the application process. Additionally the Department of Economic Development offers supplementary help and support regarding the set-up of any online gambling business in the Island. The GSC however will not provide legal advice and such should be sought by an applicant regarding whether it needs an OGRA licence and its legal obligations under Isle of Man law.

Assuming that there have been no delays with the application process, between ten and thirteen weeks after the application process has been accepted (depending on how the monthly GSC hearings fall), the applicant will appear before a hearing of the Commissioners of the GSC. The directors on the board of the Manx company, Designated Officials and the Operations Manager, if there is one, are required to attend this hearing. It is at this meeting that any licensing conditions – which may vary from one application to the next – are discussed and agreed.

Fees and Duty Due to Government for Holding a Licence

In addition to the £1,000 application fee, payable at the beginning of the application process, the following costs are due and payable to the Isle of Man Government for the acquisition and maintenance of an OGRA licence:-

- the current annual cost for the five year OGRA full licence is £35,000;
- sub-licence fee is £5,000 per annum;
- particular arrangements may be made with specific applicants to cover the GSC's costs of inspection where special inspection regimes prevail (such as live dealing);
- currently a levy is charged on operators to fund education, research and support for problem gambling.

In addition, online gambling attracts online gambling duty on a sliding scale from 1.5% down to 0.1%, except where the online gambling activity is considered pool betting in which case the duty is equal to the UK duty rate.

SYSTEMS VERIFICATION

An issue with remote gaming, as opposed to remote betting, is the requirement to test the true unpredictability of the relevant gaming software. The provisions regarding this for Isle of Man operators are found in the Online Gambling (Systems Verification) Regulations 2007 (the "2007 Regulations"). The 2007 Regulations distinguish between remote gaming and remote betting, with remote gaming software requiring to be approved by an accredited third party to ensure that the software is secure and that outcome of the game is randomly generated. In relation to remote betting the software does not require to be verified by a third party but there are regulations placed on the operator to ensure that players are given sufficient information to verify winnings due.

DATA PROTECTION

The Isle of Man has its own data protection legislation, namely the Data Protection Act 2002. Although the 2002 Act is an Act of Tynwald, it is based on the United Kingdom Data Protection Act 1998 and is drawn up to be compliant with the EC Data Protection Directive 95/46/EC. The European Commission made a formal decision on 28 April 2004, recognising the Isle of Man as a jurisdiction with an adequate level of protection for personal data, thereby aiding the transfer of personal data relating to players in and out of the Island.

INTELLECTUAL PROPERTY

Operators require to ensure that the jurisdiction they chose to be incorporated in has appropriate intellectual property legislation in place and that it will not be prevented from making use of relevant international intellectual property treaties in its place incorporation.

The Isle of Man does not to have its own intellectual property registers. Rather, the relevant terms of the UK Patents Act 1977 and the UK Trade Marks Act 1994 extend to the Isle of Man. The Isle of Man has its own Copyright Act (the Copyright Act 1991) but such is based very much on the UK's Copyright, Designs and Patents Act 1988.

The Isle of Man is a member of the Berne Convention and the World Trade Organization's Agreement on Trade Related Aspects of International Property ("TRIPS"). The Patent Cooperation Treaty ("PCT") was extended to the Isle of Man on 29 October 1983. The European Patent Office ("EPO") provides a uniform application procedure for those seeking patent protection in up to 38 member countries under the terms of the European Patent Convention ("EPC"). The EPC is applicable to the Isle of Man.

As with patents, the UK legislation in relation to trade marks has been extended to the Isle of Man and therefore no formalities are required to extend UK trade marks and trade mark applications to the Isle of Man. In addition, although not part of EU, Community Trade Marks and applications relating thereto extend to the Isle of Man. The Isle of Man is a member of the Madrid Protocol under the auspices of the United Kingdom (the Protocol was ratified on behalf of the UK and the Isle of Man).

ANTI-MONEY LAUNDERING

Although not a member of the Financial Action Task Force ("FATF"), the Island fully endorses FATF's 40 Recommendations on Money Laundering and the 9 Special Recommendations on Terrorist Financing. The Isle of Man has applied the "Know Your Customer" ("KYC") principle since 1985. KYC is a convenient term to describe the process of obtaining, retaining and using information about a customer such that his identity and residential address are verified, the source of his funds and wealth are understood, his financial circumstances are understood, and the nature of the transactions he undertakes are understood in the context of his known personal circumstances and activities.

Given the nature of online gambling, anti money laundering ("AML") provisions in relation to these sectors are governed by a Code that is separate to the AML provisions for other businesses. In 2006, the Island introduced an AML Code to deal with peer to peer online gambling models such as poker. The 2006 AML Code was update in 2008 following the IMF visit to the Island.

Under the Criminal Justice (Money Laundering - Online Gambling) (No.2) Code 2008, every OGRA licence holder must have a money laundering reporting officer, keep adequate records and have effective staff training in this area. Licence holders are required to conduct customer due diligence on a risk based approach. There are also specific requirements in respect of dealing with politically exposed persons and ongoing monitoring of business relationships for those involved in business to business online gambling activity.

Following the passing of the Isle of Man's Proceeds of Crime Act 2008, the 2008 AML Code will again be amended. Consultation is currently taking place on the changes proposed to the 2008 AML Code. At the time of writing it is envisaged that a new Code will be in place by June 2010.

For more specific advice on EGaming in Isle of Man, we invite you to contact the following:

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