



CYPRUS GAMING + CASINO
SUPERVISION COMMISSION

ΑΡΧΗ ΠΑΙΓΝΙΩΝ + ΕΠΟΠΤΕΙΑΣ
ΚΑΖΙΝΟΥ ΚΥΠΡΟΥ



Κυπριακή Δημοκρατία
Republic of Cyprus





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CHAIRMAN'S MESSAGE



2020 was a challenging year for the Cyprus Gaming and Casino Supervision Commission (Commission)

and the licensed casino operator Integrated Casino Resorts (Cyprus) Ltd (Operator). Covid-19 required closure of the Operator casinos for several months during the year.

Aligned with the requirements of Government circulars, many of the Commission staff worked at home for much of the year. Nonetheless, the Commission achieved a great deal with respect to preparation of the Commission for the opening of the integrated casino resort, currently anticipated in between July-September 2022.

It is the Commission's continuing duty to maintain systems for the licensing, supervision and control of casino gaming to ensure that the management and operation of the licensed casinos are conducted by suitable individuals and it is crime free, gaming is conducted honestly, and the casino Operator acts in accordance with the Law, licence conditions and Directions. Additionally, the Commission ensures that the potential harmful effects

on society especially upon minors and vulnerable groups of casino gaming is prevented, minimised and efficiently managed.

The Commission continues to recruit and develop its staff of qualified officers to effectively exercise its duties and supervisory role in applying and enforcing compliance with the Casino Operations and Control Law 2015 (Casino Law) and Casino Operations and Control Law (General) Regulations 2016 (Regulations) and the Prevention and Suppression of Money Laundering Activities Laws of 2007 to 2021 regarding the approvals and the operation of the casinos in our country. The Commission intends to have two casino Inspectors present in the integrated casino resort twenty-four hours per day, seven days per week when it opens to the public.

Several officers of the Commission attended the International Casino Exhibition (ICE) in London in February, 2020. Following that, the other major exhibitions and conferences including, the Gaming Regulators European Forum (GREF) annual conference in Limassol, and the Cyprus Gaming Show in Nicosia, which Commission Officers normally attend, were cancelled this year due to Covid-19. Commission Officers enhanced their development instead through meetings, training sessions and conferences remotely



using videoconferencing. A number of staff attended online courses related to issues in gaming operations offered by the University of Las Vegas Nevada (UNLV).

A significant part of the Commission's role focuses on the protection of society, particularly minors and vulnerable groups, from problematic gambling and addiction and it ensures that the Operator's responsibilities on responsible gaming are met. A number of key responsible gaming initiatives and programmes were undertaken during 2020, including a collaboration with Kenthea for training of

youth in relation to the dangers of gambling and establishment of a help line for persons with gambling problems.

Generally, it can be said that the Board of the Commission have worked tirelessly and methodically throughout 2020 supervising and providing strategic guidance to the Commission. The Commission has also engaged and provides training to suitable and necessary officers and continues its operational activity efficiently, transparently, fairly, and lawfully.

Christos Mavrellis, Chairman

Cyprus Gaming and Casino Supervision
Commission

CHIEF EXECUTIVE'S MESSAGE



2020 has been a difficult year for everyone in Cyprus and indeed across the world – caused by the

devastating effects of the Covid-19 pandemic. The pandemic and the measures taken to combat the threat has impacted on the casino gambling sector, its people and its customers and on the people of the Commission.

We identified at the earliest stages of the pandemic, the significant impacts upon our approach to the regulatory work we had to complete and took action to protect our staff and establish a new ways of working exploiting technology to enable remote working when this was required. These challenges present themselves within 24 months of the Commission starting its work.

Throughout 2020 the Commission's officers and staff demonstrated their professional commitment, adapting to changing circumstances, amending plans, and maintaining their focus on supervising existing casino gaming in Cyprus and preparing for the opening the integrated casinos resort.

Throughout 2020, we recruited new staff, maintained our supervisory presence in casinos, undertaken inspections and improved our supervisory and development approaches. Our work to minimise the harms associated with gaming established important collaborations, supporting work of others engaged with vulnerable groups, and has enabled the development of the Limassol Treatment and Prevention Centre.

Despite the impacts of Covid-19, we worked hard to maintain our stakeholder and partner engagement which gave us the opportunity to discuss and progress important prevention and protection matters. We value these relationships and will build upon these to focus upon the outcomes that the Commission seeks.

We have sustained our efforts through often difficult and certainly unprecedented circumstances and are in a good position for the year ahead as restrictions begin to ease and the opening of the integrated casino resort approaches.

I wish to thank all my colleagues and Commissioners for their professionalism and determination in such testing times.



WHO WE ARE

The Commission regulates land-based casino gambling in the Republic of Cyprus. The Commission's functions are set out in the Casino Law and Regulations. The Commission is a semi-governmental organisation. Since 2019, it has been under the supervision of the Deputy Ministry of Tourism, having originally been under supervision of the Ministry of Energy, Commerce, Industry and Tourism. The Casino Law came into force on July 21st, 2015, the Commission was established in 2017, the Chief Executive Officer (CEO) appointed in November 2017 and the Commission commenced operations in January 2018.

The Commission is also the Supervisory Authority for casino gambling under the Prevention and Suppression of Money Laundering Activities Laws of 2007 to 2019 (L.188 (I)/2007) (AML Law). The Operator as the licensed legal entity is also the “obliged entity” under the AML Law. The AML Law requires the Commission to undertake activities to monitor, assess and supervise the Operator through on-site and distance supervision methods.

Whilst the Commission has regulatory responsibilities to ensure compliance with the Law and Regulations, the Operator has the primary responsibility to ensure that their activities are compliant with the law and do not threaten the statutory objectives. The Commission is not responsible for the operation of the Operator’s business and it is expected that the protection of the statutory objectives is central to the Operator’s activity and culture at all levels.

The Commission licences and regulates the Operator’s activities, the people employed in relation to gaming activities, machine and equipment suppliers, junket operators and those providing test laboratory services. The Commission will permit licensed casino gambling, to the extent that it considers it is being provided in a way consistent with the laws of Cyprus and our statutory objectives.

In addition to licensing the Operator and people working in the licensed casinos, our responsibilities include ensuring that the Operator is compliant with the Casino Law and AML Law, keeping gaming fair and crime free and assessing and collecting casino tax. Both the Operator and the Commission have a responsibility to reduce harm, particularly upon vulnerable groups and young people, from the possible negative effects of casino gaming and to implement appropriate protective measures.

As part of our Responsible Gaming plan, we supervise and engage with the Operator to improve the effectiveness of their protective measures. The Commission expects the Operator to demonstrate that they are listening to their customers and public at large as to their concerns; developing an honest relationship with them such that they are empowered to make informed choices about gaming and their rights enabling them to enjoy gaming by understanding the risks.



THE INTEGRATED CASINO RESORT

Integrated Casino Resort (ICR) is the term used to describe a large resort property that includes a large hotel or hotels with a large-scale casino, likely also to include entertainment, convention facilities, luxury retail and fine dining, sporting facilities and possibly a theme park. Whilst there are several ICRs in Asia, North America and the Caribbean, Cyprus will be the first country in Europe to build and operate an ICR.

ICR Development

A Development and Operating License Agreement was signed with the Operator and became effective on 26 June 2017 to develop and operate a single integrated casino resort (ICR), a temporary casino (until the ICR is completed), and up to four satellite casinos in different districts in the Republic of Cyprus. The parties were the Cyprus Gaming and Casino Supervision Commission and Integrated Casino Resorts (Cyprus) Limited, a consortium of Melco International Development Company and The Cyprus Phassouri (Zakaki) Limited (a subsidiary of the CNS Group).

A premises license was issued for the temporary casino in Limassol on 26 June 2018, and licenses granted for satellite casinos in Nicosia and Larnaca on 10 December 2018.

On 11 July 2019, the Commission issued a premises license for an additional satellite casino in Ayia Napa.

Development and construction of the ICR casino resort made substantial progress during 2020. The project's completion date was originally set for the end of December 2021. However, the interruption of construction due to the coronavirus pandemic, upon application by the Operator, the Government has agreed to extend the opening date to no later than September, 2022.

The Steering Committee, beyond the original licensing of the ICR project in Cyprus, is also responsible for monitoring the progress of the development achievement of its milestones and shares responsibility with the Commission for approvals for further changes requested by the Operator.

OUR APPROACH

Our goal is to ensure that licensed casino gaming is safe, fair, and honest and potential harm to society, minors and vulnerable groups is understood and managed.

To deliver our goals, we are working on a plan that has four priorities:

1. To establish effective governance and management arrangements. The Commission is now finalising its governance and regulatory frameworks, its staff policies and



development plans.

2. To ensure that the temporary, satellite casinos and Integrated Casino Resort are licensed and operate lawfully. Having recruited capable Compliance Senior Officers and Officers for the specialist functions, to develop our operational capabilities.
3. To increase our knowledge and access to information to guide our decisions. Since late 2018 and throughout 2020, we have been working to ensure that we have access to the information we need from the Operator and that our inspection and analytical skills are continuously improved.
4. To be evidence led in developing policies and activities to minimise the risks of gambling related harm. We have now developed our Responsible Gaming Plan and are engaged with others working in this field to ensure awareness of the risks and lifestyle choices associated with gambling.

Principles based and Risk focused regulation

During 2020 we have applied the principles that underpin the Commission and building from the foundation of the Law and Regulations to become a highly regarded and effective casino gaming regulator.

Central to our strategy is a risk-based approach where our supervision and monitoring of casino gaming is based upon an understand of the risks to be managed resulting from casino gaming, taking necessary and proportionate actions to remedy vulnerabilities of licensees, which may include advising or requiring the Operator or other licensees to take action or in certain circumstances may require the Commission to undertake enforcement investigations. We will act to monitor and engage to ensure that we have confidence that the Operator and licensees are complying with the Casino Law and AML Law and that they are identifying and effectively managing the risk to the strategic objectives of the Casino Law and AML Law.

The Commission would prefer not to have to rely upon highly detailed and prescriptive rules. We want to approach our duties by providing a framework of regulation and broadly stated rules and standards by which the Operator and licensees must operate and results we would expect to be observed. We expect the Operator and other licensees to be able to demonstrate the effectiveness of their efforts to be compliant with the Casino Law, their license conditions and manage their regulatory risk. This will encourage the Operator and other licensees to find the most efficient way of achieving the outcomes required.

The Commission operates on the basis that the Commission regulates the casinos, it does not operate the casinos. It is the Operator's responsibility to implement policies, controls and processes to achieve compliance with the laws and effectively identify and manage its regulatory risks. We will seek professional dialogue with the Operator and licensees, intervening when we consider that the statutory objectives are at risk, through targeted and proportionate action. The approach adopted will be based on an assessment of the risks, the



circumstances, and options available. Where serious concerns as to compliance with law or unacceptable activity are raised, the Commission may commence an enforcement investigation.

The Commission will supervise and engage with the Operator in order to identify, assess and address risk to the objectives and compliance with the Casino Law. When thinking about that which may occur, the Commission will consider potential and emerging risks, which impact the ability of the Operator to meet lawful obligations.

The Commission will consider risk relating to the potential and continuing suitability of the Operator and licensees, risks that relate to the nature of the gambling facilities themselves; and risks which relate to the conduct of the Operator in providing gaming. Our approach will:

Identify risk: The Commission will collect and analyse information from its own activities, licensees, and others. This will be recorded and analysed, and judgement made of the significance of any risk being considered.

Assess risk: Having identified relevant risks, the Commission will consider the likelihood of that risk occurring (provided it has not already occurred) and the potential impact upon the licensing objectives. This will involve consideration of effects of the event, numbers of people likely to be affected, the extent to which this event undermines the confidence in the licensee or the Commission.

Address risk: Once an assessment has been completed, the Commission will, as appropriate, share with the licensees its considerations of the risk considered to exist. This will influence the timing, form, and scale of the Commission's engagement with licensees.

In some cases, the Commission may feel that the risk requires intervention. This may be through the rejection of an application, a requirement for the licensee to remedy a situation, the issuing of directions or an enforcement investigation.

Once any regulatory action is completed, the activities concerned will be monitored and re-assessed to determine whether the desired outcome has been met or further attention is needed. By building a picture over time, the Commission will identify major risk issues within the casino gaming sector and focus its work to amend the regulatory framework and our approach accordingly.

Values

To be an effective and widely respected regulator, we will work in ways that reflect our values, which are the foundation of all our activities. All our people are required to commit to:

- **Personal honesty and integrity** with a willingness to challenge inappropriate behaviours or attitudes.
- **Respect;** having constant regards to fairness and legal and human rights of people.



- **Fairness;** being consistent, proportionate, evidence based and free from discrimination.
- **Accountability;** making decisions in the public interest, being as transparent as possible, meeting our obligations with regards to personal and confidential data.
- **Professionalism;** investing in the development of our skills and knowledge, reviewing our performance and being informed by best practice.
- **Engagement;** communicating with our internal and external stakeholders, ensuring that their views are known and considered.

ORGANISATIONAL DEVELOPMENT

Organisational Development focuses on the Commission's vision of Regulatory Excellence by focusing on maximising people's capabilities while aiming to continual improvement by becoming performance-based.

In 2020, Organisational Development work involved:

- Alignment of the Commission's strategy and the human resources agenda;
- Working with Line Managers to help the Commission achieve its goals;
- Selecting the best approaches to move forward towards the ICR opening and beyond;
- Building organisational resilience needed to master disruption deriving from COVID-19 pandemic and maintain momentum.

Key deliverables of the Organisational Development function in 2020 were the:

- Recruitment and employment of one (1) IT Officer in July 2020.
- Design of an Annual Learning & Development Plan for 2020 and monitoring of its implementation by identifying digital learning activities and maximizing effectiveness of virtual learning.
- Implementation of the full cycle of the internal Performance Appraisal system.
- Launching of three (3) public procurement tenders as the process owners for the Commission.

The Commission's organisational structure for 2020 was as shown in Figure 1.

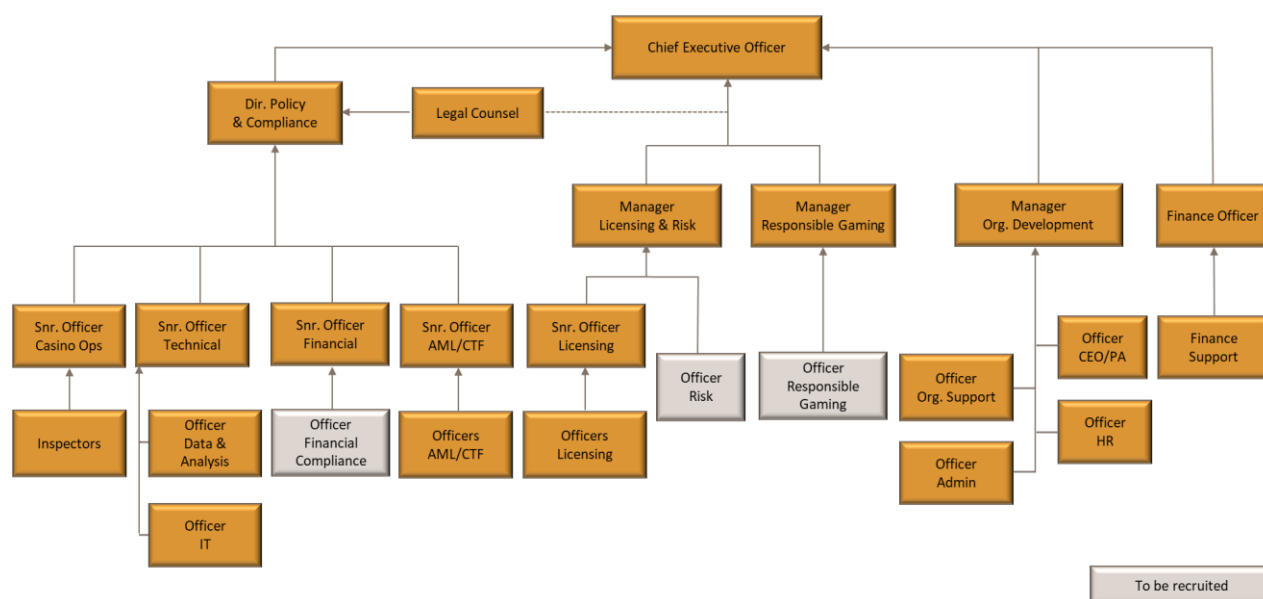


Figure 1: Commission Organisational Structure-2020

THE COMMISSION IN NUMBERS

Throughout this report information is provided about the Commission's activities and results. It is equally important to provide information in relation to the people who work to produce those results.

The figures that follow reveal the Commission's people as seen from various different perspectives and begin to give us a broader view of the Commission's human capital.

Different generations working together towards a common goal

When we consider different generations, we are examining the age structure of the Commission. In looking at the Commission's generation breakdown we have based our findings on the following generation definitions:

- Baby boomers (1946-1964)
- Generation X (1965 -1981)
- Generation Y (1982-2000)

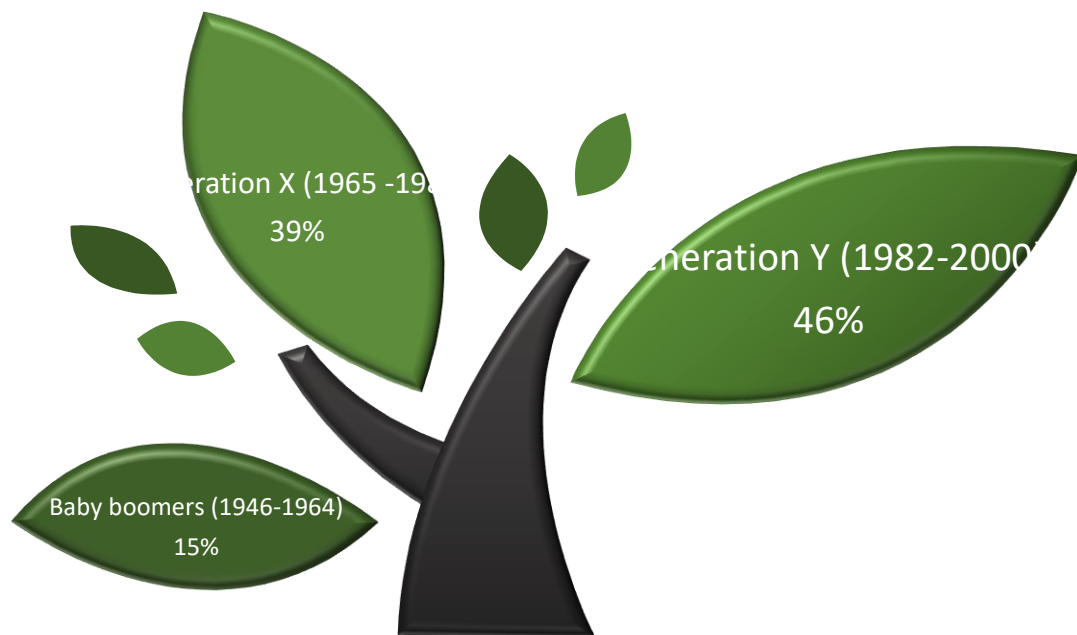


Figure 2: CGC Generation Split

In 2020, 46% of the Commission’s staff belongs to “Generation X”, with 43 years of age being the average age within the Commission. 39% of our staff is part of “Generation Y” and under 35 years of age. 15% of our team is from the “Baby boomers” generation and adds value to the Commission with their many years of experience.

An attractive workplace for both men and women

The Commission employed more women than men: 62% of the Commission's workforce are female.

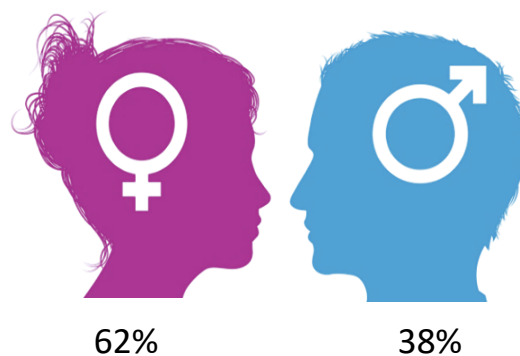


Figure 3: CGC Gender Split

The female representation is more pronounced at the Officer level whereas at the Senior Officer/Manager level the representation is equal at 50% between male and female.

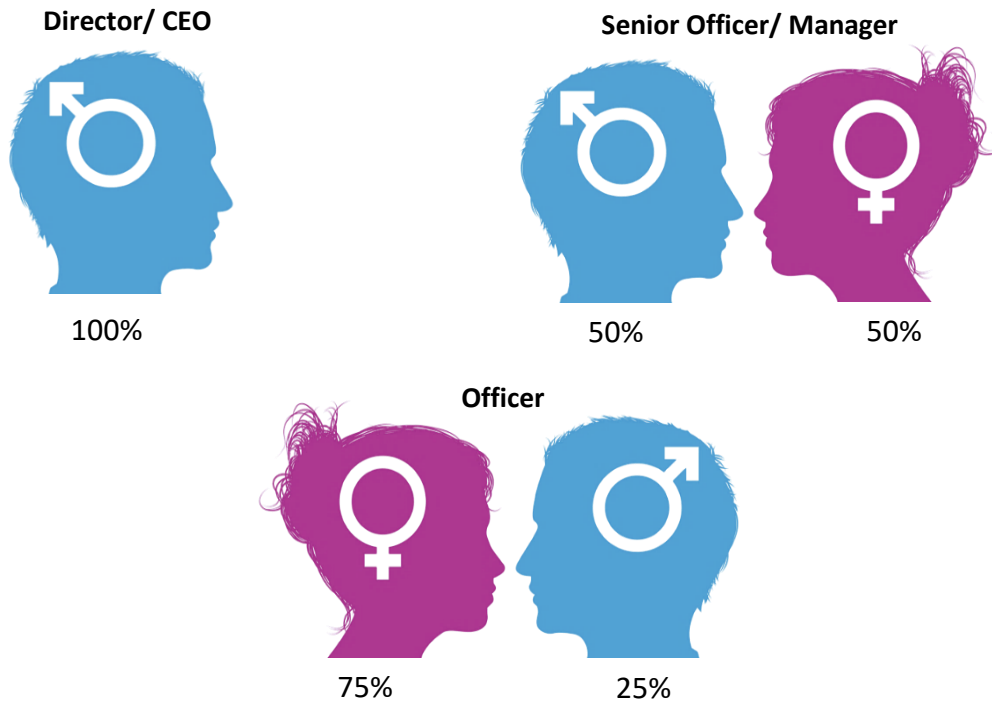


Figure 4: CGC Gender Split by position level

Staffing to manage an international project

4 nationalities made up the Commission's employee base and we communicated together in both Greek and English languages. 77% of our employees are Cypriots. This reflects the Commission's commitment to provide employment to our community, where possible, while maintaining the wealth of international gaming experience and expertise recruited from abroad for the Top Leadership team, Casino Operations team and AML/CTF Compliance team.

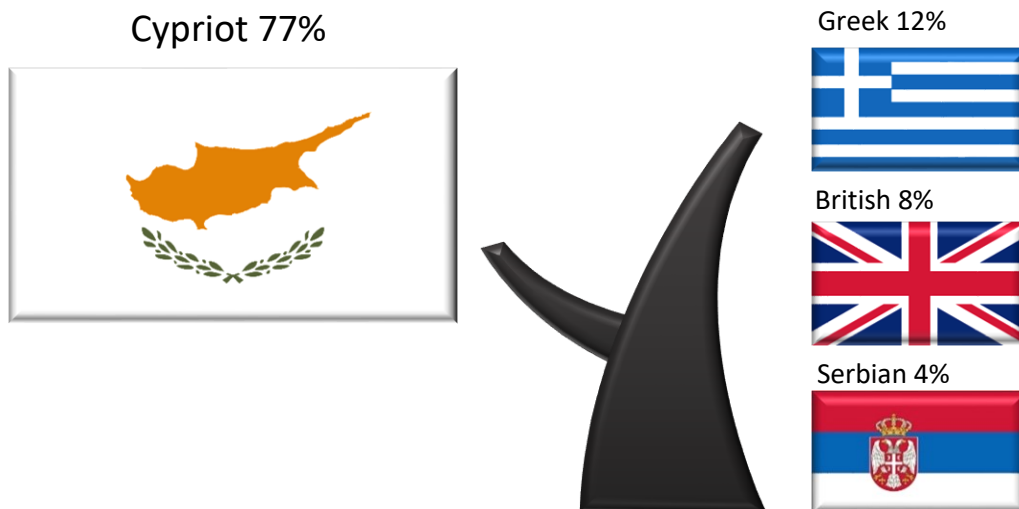


Figure 5: Nationalities

A FORMULA FOR SUCCESS: LEARNING AND DEVELOPMENT

A main area of focus within the Commission is learning and development of our employees enabling them to execute their statutory responsibilities during this transition period leading to the opening of the Integrated Casino Resort in 2022. In 2020 a total of 1617 hours were spent on learning and development digital activities provided an average of 62 learning hours per Commission employee.

The range of different learning technologies which were available during 2020 included:

- Webinars
- Virtual classrooms
- Social networking platforms
- Self-study eLearning
- Streaming videos

The learning strategy of the Commission encompassed a suite of content and solutions which brought learning into the core flow of our work. Different platforms were used to deliver digital content at the heart of the organisation in a way that learning is in the flow of work.



Figure 6: Learning and Development Activity in Hours



LICENSING

The Commission strives to meet its statutory obligations. Licensing is the critical first stage, ensuring that only suitable people, equipment and games are allowed to be involved in the provision of casino gaming and that the conditions of licenses and approvals are met.

The Licensing and Risk Department was the first fully functional department of the Commission starting in March 2018, and has established a solid and practicable approach for licensing processes and procedures and conduct of licensing operations.

The Licensing and Risk Department's main responsibilities are:

1. Receiving and assessing all types of licence applications.
2. Performing detailed investigation of applications.
3. Communicating with applicants and licensees.
4. Managing the ongoing relationship with licensees.
5. Ensuring licensees' continuous suitability.
6. Ensuring approvals and conditions are met.
7. Providing advice and guidance to stakeholders.

In determining whether to grant a licence, the Licensing team takes a number of factors into consideration, including:

- Identity and ownership – The identity of applicants and any individuals relevant to corporate applicants and ownership of corporate applicants.
- Integrity – The reputation, honesty and trustworthiness of the applicants and/or individuals relevant to the applicants and/or associated companies.
- Finances – The financial condition, stability and strength of applicants as well as the integrity of any source of funds.
- Competence – The experience, qualifications and intended training of applicants.
- Criminality – The criminal record of the applicant and/or individuals relevant to applicants.

For every application the Commission has the power to:

1. grant a licence,
2. limit the scope of licensed activities and/or attach conditions, or
3. refuse a licence where there are reasons to do so.

Building on the valuable experience gained over the past 3 years, to add further value to its services and general efficiency, the Licensing and Risk Department implemented a customer



relationship management software platform (CRM System) for the management of the application and licensing records of the Commission. The CRM System will enable effective interaction with applicants and licensees, effective monitoring of licensees' continuous suitability, efficient management and exploitation of accurate and timely information to guide Commission's decisions, and will support the Licensing and Risk Department's operations through the whole lifecycle of an application/licence.

Having taken into consideration the business needs and the guidelines of the Public Procurement Directorate of the Treasury of the Republic of Cyprus, the tender procedure was initiated in September 2020 and was concluded in December 2020 with the contract award and signing.

Due to the COVID-19 pandemic and the rescheduled delayed opening of the Integrated Casino Resort in Limassol, the Licensing Department received a total of 81 licence applications in 2020, the types shown in table 1, as opposed to the 150 licence applications estimated prior to the pandemic outbreak.

<i>Licence Type</i>	<i>Received Applications</i>
Casino Games	30
Casino Employees	24
Casino Key Employees	19
Gaming Equipment	5
Gaming Suppliers	1
Gaming Supplier Employees	1
Junket Operators	1

Table 1: Applications Received

Of the 81 licence applications received in 2020, plus 6 licence applications continued from 2019, 80 licences were granted as shown in table 2. The Paphos satellite casino licence was granted in February 2020 and the 2 Junket Operator licences were granted in January 2020 and in July 2020.

<i>Licence Type</i>	<i>Granted Licences</i>
Casino Games	30
Casino Employees	25
Casino Key Employees	16
Gaming Equipment	5
Junket Operators	2
Gaming Supplier Employees	1



<i>Licence Type</i>	<i>Granted Licences</i>
Premises	Satellite casino in Paphos

Table 2: Licences Granted

In addition, a total of 47 granted licences were amended, the types shown in Table 3.

<i>Licence Type</i>	<i>Amended Licences</i>
Gaming Equipment	20
Casino Employees	19
Casino Key Employees	4
Casino Games	2
Gaming Suppliers	2

Table 3: Licences Amended

Finally, a total of 86 licences were revoked, including the licence of the Larnaca satellite casino, the types shown in Table 4.

<i>Licence Type</i>	<i>Revoked Licences</i>
Casino Employees	57
Casino Key Employees	25
Gaming Supplier Employees	3
Premises	1

Table 4: Licences Revoked

COMPLIANCE

The Compliance team of specialists with specific areas of responsibility supports the Commission's mission by supervising and monitoring compliance of the Operator and other licensees with laws and gaining assurance that the Operator its employees, suppliers, and marketing agents in the Republic of Cyprus are effective in managing their regulatory risk.

The Compliance team develops Directions and Guidance and engages to assist licensees in achieving compliance and assurance and monitors the casino operations through on-site and remote inspections, requesting and reviewing reports and information and performing specific investigations where appropriate.

The Compliance department consists of four specialist areas that focus on Financial Compliance, Technical Compliance, Anti-Money Laundering/ Counter Terrorist Financing



Compliance and Casino Operations Compliance. Whilst having specific responsibilities, they work in support of each other as necessary making more efficient use of time.

The Commission issued four Regulatory Directions in 2020, following consultation with the Operator and approval of the Commission Members. These were the “Direction on Treatment of Unclaimed Amounts”, the “Direction on Treatment of Wagering by Excluded Individuals”, “Direction on Treatment of Wagering by Minors”, and the “Direction on Procedures for ICR proposals or requests for changes”.

Casino Operations Compliance

The role of the Casino Operations team in 2020, in association with other Commission functions, remained to continuously verify and confirm that the services provided by the Operator on temporary and satellite casinos in the conduct of gambling, are compliant with Casino Law, Regulations, Directions, license conditions and approvals and technical and other standards and that the controls applied by the Operator are effective in achieving the objectives of the Casino Law.

The Gaming Operations Compliance team role is to verify that:

- the services provided by the operator in the temporary and satellite casinos are those permitted by Law and Regulations;
- casino gaming is conducted by the casino employees in a fair, safe and crime free manner; and
- all technical and gaming equipment complies with the Commission’s technical and functional specifications, including requirements for casino layout and surveillance.

Additionally, we continued:

- to provide oral or written instructions to the Operator and its employees, collectively or individually, to address specific matters;
- working with other specialist members of the Compliance team, to assist with their duties; and
- investigate Casino customers complaints and report to the Commission.

We discharged these responsibilities by monitoring casino floors gaming, conducting inspections and checks in areas of gaming operations, resolving immediate issues, and reporting incidents to Commission management.

Inspections during 2020

In 2020 Operator casinos, affected by closures due to Covid 19 restrictions, were open for operation as follows:

- Limassol and Paphos 230 days.



- Nicosia and Ayia Napa 247 days.
- Larnaca 93 days (suspension of operation until further notice).

During 2020, Inspectors performed 521 scheduled and unscheduled inspections in response to events:

- 406 scheduled inspections at the Limassol temporary casino, Nicosia, Larnaca and Ayia Napa satellite casinos, in daily shifts of 7.5 hours.
- 115 unscheduled inspections.

Inspectors training

Training of the Casino Operations Compliance team is a continual process of maintaining knowledge and skills and to be most effective and evolving in both content and process.

136 days of lockdown periods in 2020 gave the opportunity to refresh the Inspectors team training. Topics covered included:

- Casino table games operation
- Gaming machines operation and functioning
- Investigations process (including training from an external consultant)
- UNLV courses (Casino & Gaming Internal Controls, Creating an Effective Compliance Program, etc.)
- LinkedIn courses
- Anti-money laundering procedures in the casino sector
- Responsible gaming policies and procedures.

Financial Compliance

During 2020, the Commission's Financial Compliance and Assurance department conducted supervision activity with the aim of assessing the Operator's compliance with the obligations under applicable laws and regulations.

The returns of Gross Gaming Revenue, submitted by the Operator on a monthly basis, were examined to determine the correct reporting of Gross Gaming Revenues and the accuracy of Casino Tax payments.

Supervision activity has included onsite inspections and desk-based reviews to examine compliance with regulatory obligations and to ensure that data/information collected, is accurate. The Operator's financial internal control system is reviewed and assessed through investigations and interviews to ensure compliance with documented internal controls. The team has also reviewed reports from the Operator's external auditors.



Gross Gaming Revenues and Casino Tax

The Commission acts as an agent of the Department of Tax with regards to regulation, assessment and collection of casino tax. The Operator is required to submit a return of its Gross Gaming Revenues to the Commission for each month together with payment of casino tax, which is 15% of the Gross Gaming Revenues. The Commission collected casino taxes for the year 2020 amounting to €6.655.904 (2019: €12,780,013).

Annual Licence Fees

In the exercise of its functions and duties under the Casino Law and Regulations, the Commission collects annual license fees from the Operator for each casino.

The annual license fee for the temporary casino and integrated casino resort is €2.500.000 per year for the first four years from the date of grant of the ICR License, and €5.000.000 per year for the next four years. The Operator must also pay the Commission an annual license fee of €500.000 for each of the satellite casinos in Paphos, Ayia Napa, Larnaca and €1.000.000 for the satellite casino in Nicosia, where the Operator exercised the option to include up to five table games.

Technical Compliance and Data Analytics

The Technical Compliance team has focused upon completing its 2020 priorities which included the following main activities and projects:

- To establish a framework of best practices for the verification and testing of gaming equipment/technology in alignment with the Commission's regulatory risk assessment methodology, the Commission has developed its Verification and Validation/Testing (VVT) strategy and implementation approach. These provide guidance on how various technical verification and validation activities are performed on the functioning and operation of gaming equipment/ technology and the internal control system governing its operation, to gather the necessary evidence for the risk assessment process.
- Monitoring the implementation of the Regulatory Reporting Direction issued on November 1st, 2019 which includes the processing and analysis of daily and monthly data/reports submitted by the operator. A mid-year data risk assessment was performed to assess and mitigate any data integrity issues and risks identified during the processing of this data.

The Commission is progressing work for the analysis of the casino's gaming technology and IT and the assessment of technology risks as the operator is transitioning to the large integrated casino resort. At the same time, the Commission seeks to establish more advanced technologies to increase further the efficiency and effectiveness of supervision of existing casinos. Technical Compliance Officers were engaged in 2020 in a project initiative with Cyta for the implementation of a regulatory database



environment at Cyta's data centres to store regulatory data to improve further the Commission's evidence-based monitoring, data intelligence and decision-making capability.

- The Technical Compliance team has contributed to the preparation of the “Direction for Proposals and Change Requests” which establishes a framework for transparent, consistent, and efficient procedures for gaming equipment / technology proposals or requests for changes submitted by the Operator. The Direction is underpinned by a set of digital tools that facilitate the submission of such requests to the Commission.
- Within the context of the technical compliance risk assessment process, the technical compliance team conducted several verification and evidence-gathering activities in the temporary and regional / satellite casinos including gaming machine inspections and systems technical assessments to ensure that its operation and performance complies with the Commission's Technical Standards. To improve the effectiveness and efficiency of gaming equipment supervision digital registers with technical information of all gaming machines were created.
- Technical Compliance Officers have also assisted in investigations of casino customer complaints related to gaming technology and provided data insights to other compliance functions to support their regulatory compliance and risk assessment activity.

AML/CTF Compliance

The Cyprus Gaming and Casino Supervision Commission is the Supervisory Authority for casino gaming under the provisions of Article 59 of the Prevention and Suppression of Money Laundering Activities Laws of 2007 to 2021 (L.188 (I)/2007) (AML Law).

As a Supervisory Authority under the AML Law, the Commission has a duty to:

- (i) monitor, evaluate, and supervise the application of the provisions of Part VIII of the AML Law and of the directives issued pursuant to the provisions of Article 59(4) of the AML Law from the persons which are subject to its supervision;
- (ii) carry out adequate supervision, including on-site and off-site supervision, on all persons subject to its supervision and to take appropriate and proportionate administrative measures to remedy the situation in the event of infringements.

Within its risk-based AML/CTF supervisory approach, as described in the Article 59(5)(b) of the AML Law, the Commission as a Supervisory Authority needs to:

- (i) Have a clear understanding of the risks of money laundering and terrorist financing present in the Republic;



- (ii) Have on-site and off-site access to all relevant information on the specific domestic and international risks associated with customers, products and services of obliged entities;
- (iii) Base the frequency and intensity of the on-site and off-site supervision on the risk profile of obliged entities, and on the risks of money laundering and terrorist financing in the Republic; and
- (iv) Review the assessment of money laundering and terrorist financing risk profile of the obliged entity, including the risks of non-compliance, both periodically and when there are major events or developments in their management and operations.

During 2020, the Commission has performed onsite and desk-based inspections with the aim of assessing the Operator's compliance with the obligations under the AML Law and Commission's AML/CTF Direction issued in November 2019.

In addition to ongoing engagement with the Operator regarding AML/CTF matters, in August 2020 the Commission also organized a AML/CTF training day for the Senior Management of the Operator with the aim of raising the awareness of AML/CTF matters and discussing the challenges specific to the casino sector.

LEGAL

Legal Department

The Commission's Legal department provides advice for the Commission's operational, organisational and governance activity and supports the Commission's operational and decision-making activity. In 2020, the key activities of the Legal department were focused on providing legal advice and support to officers, executives and the Members of the Commission on a wide variety of Cyprus and European law legal issues facing the Commission, including interpreting government circulars and guidance, public law, administrative law, employment law, AML Law and General Data Protection Regulation EU 2016/679 (GDPR). Furthermore, the Legal department provided legal advice with reviewing and drafting of contracts between the Commission and third parties including other Public Authorities.

During the year of 2020 the Legal department provided legal advice on 16 specific matters, reviewed or drafted 8 contracts or agreements, supported the complaints procedures in 13 complaints, responded to 8 requests from public, and assisted in drafting 6 Policies/Directions.

To conform with the newly established Law on the Right of Access to Information of Public Sector Law of 2017, the Commission adopted a relevant internal policy and also adopted its Publication Scheme, following approval of the Information Commissioner.

The Commission acknowledges the importance of compliance with the GDPR in its operational activities and for this reason initiated compliance procedures with the GDPR.



Casino customer dispute resolution

The Casino Operations and Control Law of 2015, L 124(I)/2015 and the Casino Operations and Control (General) Regulations of 2016, R.A.A 97/2016 empowers the Commission to investigate disputes arising between the Operator and a casino customer, if the Operator and a casino customer are unable to reach a satisfactory resolution of any dispute relating to alleged winnings or alleged losses or the manner in which a game is conducted. The casino customer may request the Commission to investigate the dispute or the Commission may decide to undertake an investigation because of its own concerns. During 2020 the complaints and disputes managed by the Operator totalled 124 (119 complaints and 5 disputes). “Complaints” means an expression of dissatisfaction by the casino customer, whether spoken or written, about any aspect of the way the casino Operator conducts his licensed activities. “Disputes” are those complaints that are about the customer’s gambling transaction and have not been resolved at the first stage of the Operator’s complaints procedure.

The main reasons for complaints: no winnings; machine malfunction; issues with rewards cards and loyalty points and casino employee and other casino customer misbehaviour.

The Commission received 13 complaints in the category of disputes, from which it investigated 5. These disputes between the Operator and casino customers related to losses of customers, for alleged incorrect payment and for the conduct of games. In all investigations conducted, the Commission supported the decision of the Operator and did not take further action.

RESPONSIBLE GAMING

Responsible Gaming Plan 2018 – 2021

The Commission’s Responsible Gaming Plan has been designed to function and has been implemented on 3 levels: Prevention of problem gambling, support of provision of treatment by the responsible government body and deterrence of illegal gaming.

During the reported year, the Commission was presented with various obstacles caused by the pandemic Covid -19. With regards to Responsible Gambling, the main areas affected were the implementation of the agreement for the delivery of two prevention programs, in collaboration with Kenthea, which were modified accordingly, to accommodate the changes caused by the imposed lockdowns and restrictions. Communication and collaboration between the two parties proved to be most effective in the flexibility required to adapt to the new societal needs and conditions.

An extension to the synergy between the two organizations, which incorporated the pandemic social needs, led to the establishment of a telephone helpline which was agreed to operate in June 2020, to provide a platform for advice, support and help to problem and pathological



gamblers and their families. The telephone “Helpline 1422” was the product of a co-operation between the Commission, Kenthea and the National Addictions Authority of Cyprus, also supported by the Operator, and was operated by expert psychologists in the field of gambling addiction. The line is still operational daily 09:00 – 19:00.

Further to this agreement, a proposal was drafted by the Commission and presented to the National Addictions Authority, regarding the establishment and operation of a Centre in Limassol, to host Prevention and Treatment Programs to persons facing problem and pathological gambling issues. The agreement for the creation of the Limassol Centre for the Prevention and Treatment of Problem and Pathological Gambling was a result of an initial Memorandum of Understanding between the National Addictions Authority of Cyprus and the Commission, signed in 2020, which identified the areas for collaboration between the two Authorities. The most urgent need for action was identified to be the provision of free services of Counselling, Support and Treatment to the public who were directly or indirectly affected by problematic gambling issues.

Based the objectives stated in its Responsible Gambling Strategy 2018 – 2021, the common vision with the National Addictions Authority as far as gambling addiction treatment is concerned, the Commission decided to co-fund the treatment programs of the Limassol Centre in a specific space at the Municipality of Agios Athanasios which was made available within the framework of the Social Responsibility of the Municipality.

The Centre was agreed to be established on two pillars: Through the first pillar, the Commission would aim to inform society and raise awareness to the community about gambling and how this can be achieved responsibly so that it does not cause any negative effects to those who have the legal right to engage in gambling activities. The objective of the second pillar, for which the responsible party would be the National Addictions Authority of Cyprus, would provide free counselling, treatment and support services to persons who experience gambling disorders and their close significant others who experience the collateral damages of problematic gambling.

Both organizations agreed host their prevention and treatment programs respectively, under the Limassol Center, to maximize the effectiveness of the planned actions of each jurisdiction.

Sports Against Addictions Committee

The Head of Responsible Gambling of the Commission has become, during 2020, a member of the Advisory Coordinating Committee on Sports against Addictions which consists of influential government and non- government stakeholders involved in the prevention and deterrence actions against addictions (including gambling addictions). Common objectives and potential collaborations between the participating members have been discussed in the efforts to promote sports events and healthy living, against addictive behaviours.



Safer Gambling Week

The National Betting Authority in Cyprus organized for the third year a “Safer Gambling Week” (previously Responsible Gaming Awareness Week) during October 2020, online this year because of Covid-19 restrictions. The Commission actively participated in the panel discussions of the conference of the first day of the week and supported the National Betting Authority in the organization and provision of RG training to casino staff.

Gaming Regulators European Forum

The Commission was represented at the Responsible Gambling Workshops of the Gaming Regulators European Forum, by the co-chair of the Workshop and Head of Responsible Gambling and Social Responsibility of the Commission.

Supervision of the ICR Responsible Gambling Program

The Commission maintains an ongoing dialogue with the Operator regarding issues that arise in the implementation of its Responsible Gambling Plan. A constant monitoring of the submitted regulatory data, on-site inspections and discussions with RG employees of the Operator have led to conversations about potential improvement of the currently adopted casino RG Program which, by Law, is approved by the Commission.

CASINO STATISTICS

Casino: Attendance and Registrations

Figure 7 shows the casino visitation¹ and registration figures for the licensed temporary casino Limassol and satellite casinos Nicosia, Larnaca, Ayia Napa and Paphos for the year 2020. The figures reflect the uncertain times faced during the year 2020 due to the pandemic and the long periods of operations suspension (see “Important Notes”). The temporary casino in Limassol, and the Nicosia and Ayia Napa satellite casinos were operational for less than 8 months during 2020, while the Paphos satellite was less than 6 months since it commenced operations on 24th February 2020. The Larnaca satellite was operational for only 2.5 months as it closed during the first lockdown period. All four Operator casinos in Cyprus had over 600,000 visitations during 2020. The largest percentage of the total visitations was at the temporary casino in Limassol (60%). The Nicosia satellite had 25% of the visitations, Paphos satellite 8%, Ayia Napa satellite 6% and Larnaca satellite only 2% (for only 2.5 months). Total

¹ Number of visitations does not correspond to unique visits. Visitations may include multiple visits by the same person. At this point, there is no requirement for membership or identification and keeping of personal data of casino customers to be kept upon entry to the casinos. Accordingly, the Operator is unable to calculate unique visitations.

registrations broke down in similar percentages for each casino, with a difference that the Ayia Napa satellite attracted more registrations than Paphos.

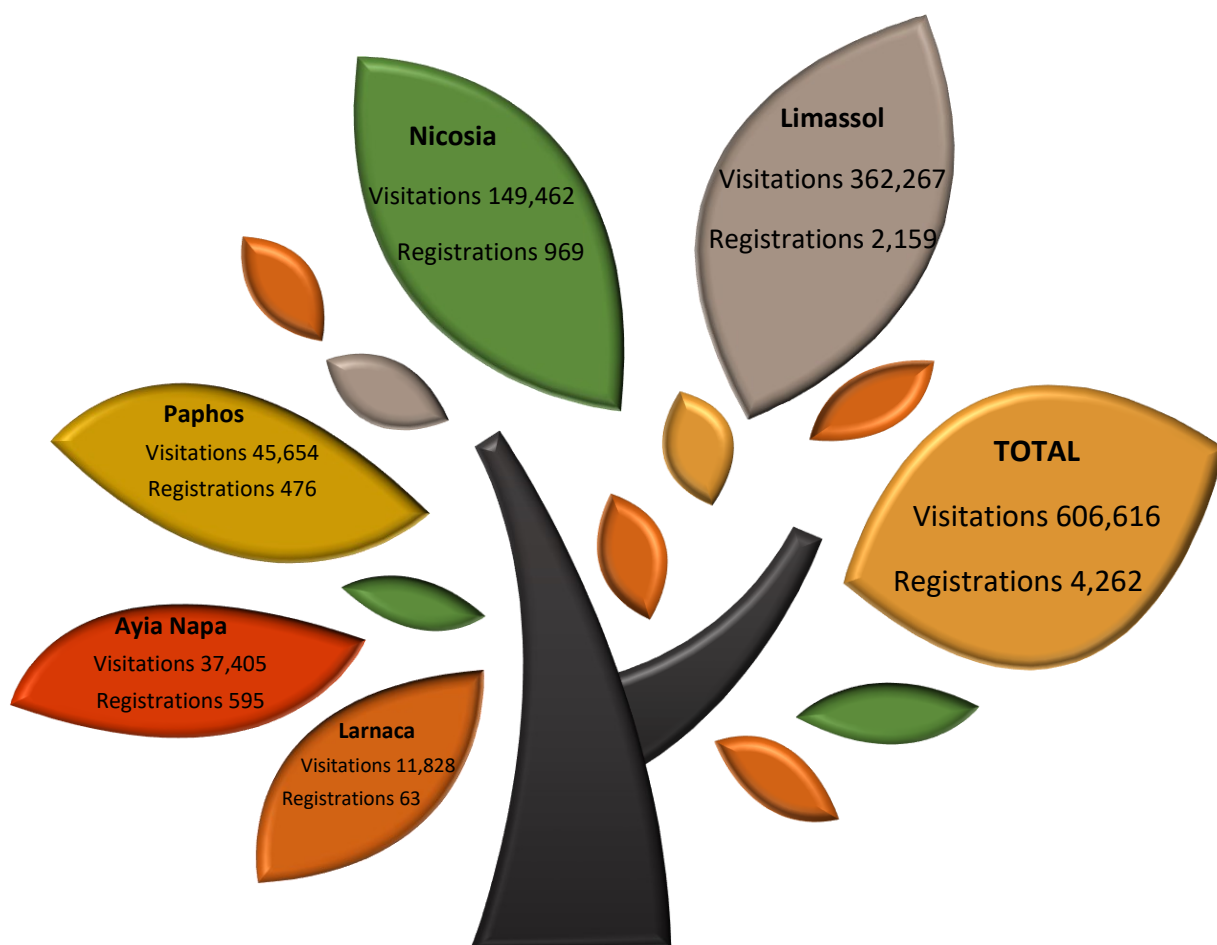


Figure 7: Total casino visits and registrations for 2020 (Temporary casino Limassol and satellite casinos Nicosia, Larnaca, Ayia Napa and Paphos)

Table 5 presents the number of customer registrations by nationality, highlighting the 10 nationalities with the highest percentage on the total registrations. As it is shown on the table, the largest number of casino customers registered in 2020 are Cypriots (63%), Greek (10%) and Israeli (4.9%). In 2020, customers of 71 different nationalities have visited and registered at the Operator casinos.

<i>Nationality</i>	<i>Total No. of Registrations</i>	<i>% on total No. of registrations</i>
Cypriot	2,687	63.05%
Greek	430	10.09%
Israeli	209	4.90%
Bulgarian	156	3.66%

Nationality	Total No. of Registrations	% on total No. of registrations
Romanian	109	2.56%
British	78	1.83%
Lebanese	59	1.38%
Russian	56	1.31%
Indian	35	0.82%
Filipino	33	0.77%
Other 61 nationalities	410	9.62%

Table 5: Total Registrations for 2020 by Nationality

Underage Entry into Casinos

The Law permits entrance to the casinos only to adults over the age of 21 years old. Security and surveillance controls have been established by the Operator and are being monitored by the Commission on a continual basis, in order to prevent any attempted entry by an underage person.

Challenges to visitors are made before entry and where suspicions may arise concerning visitors' age inside the casinos. Figure 8 illustrates the total challenges for age verification before entry at each licenced Cyprus casino for 2020.

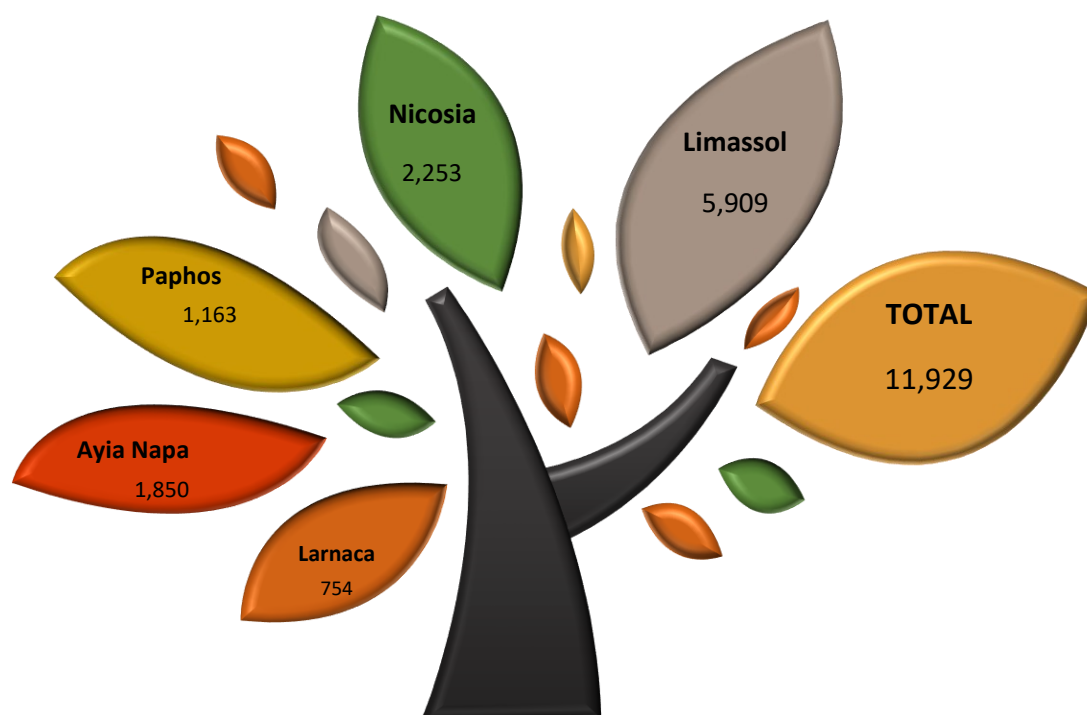


Figure 8: Challenges for Age Verification on casino entrance by casino for 2020



In 2020, the operator performed over 10,000 challenges to casino customers for age verification prior to their entry in the casino floor. As it is shown of table 6, only 2 underage incidents were detected in the Larnaca and Ayia Napa satellite casinos respectively, and reported to the Commission. Upon identification of an underage person, the underage person is immediately escorted out of the casino.

Underage incidents 2020	
Larnaca satellite casino	1
Ayia Napa satellite casino	1
Total	2

Table 6: Underage incidents by casino for 2020

Exclusion Orders

The Casino Law permits the Operator, the Commission, Police, and the Courts to exclude persons where appropriate. During 2020, no exclusions were ordered by the Commission, Police or Courts, while a total of 212 exclusion orders were made by the Operator. The main reasons for exclusion were failure of those persons to comply with the Casino Law and Regulations, the AML Law and Commission's AML/ CTF Direction, repeated breaching of self-exclusion requirements and inappropriate behaviour.

Self-Exclusions

According to the Law, the Operator must establish responsible gambling program procedures to allow any person who consider him or herself vulnerable and concerned about their gambling behaviours to apply voluntarily for exclusion from a casino premises. Self-exclusion is a harm minimization procedure where a person voluntarily requests for the period of six months to be barred from the casino premises and any gaming activity. The person has the choice to apply for exclusion from all of the Operator casinos in Cyprus or a particular one. After the period of 6 months, self-excluded customers can re-apply for self-exclusion if they wish to do so.

Figure 9 shows that 699 people applied for self-exclusion during the operating period in 2020, of which the 12% have applied twice during 2020. Most of the self-exclusions (69%) have been signed at the temporary casino in Limassol. 80% of the self-excluded individuals are male and 20% female. The largest part of the self-excluded customers (59%) is aged between 31-50 years old. 17% are aged between 21-30 and 51-60 years old each. Only 7% of the self-excluded patrons are over 60 years old. An important note is that the 71% have applied to be excluded from all casinos and 29% from individual casinos (mainly from the Limassol casino).

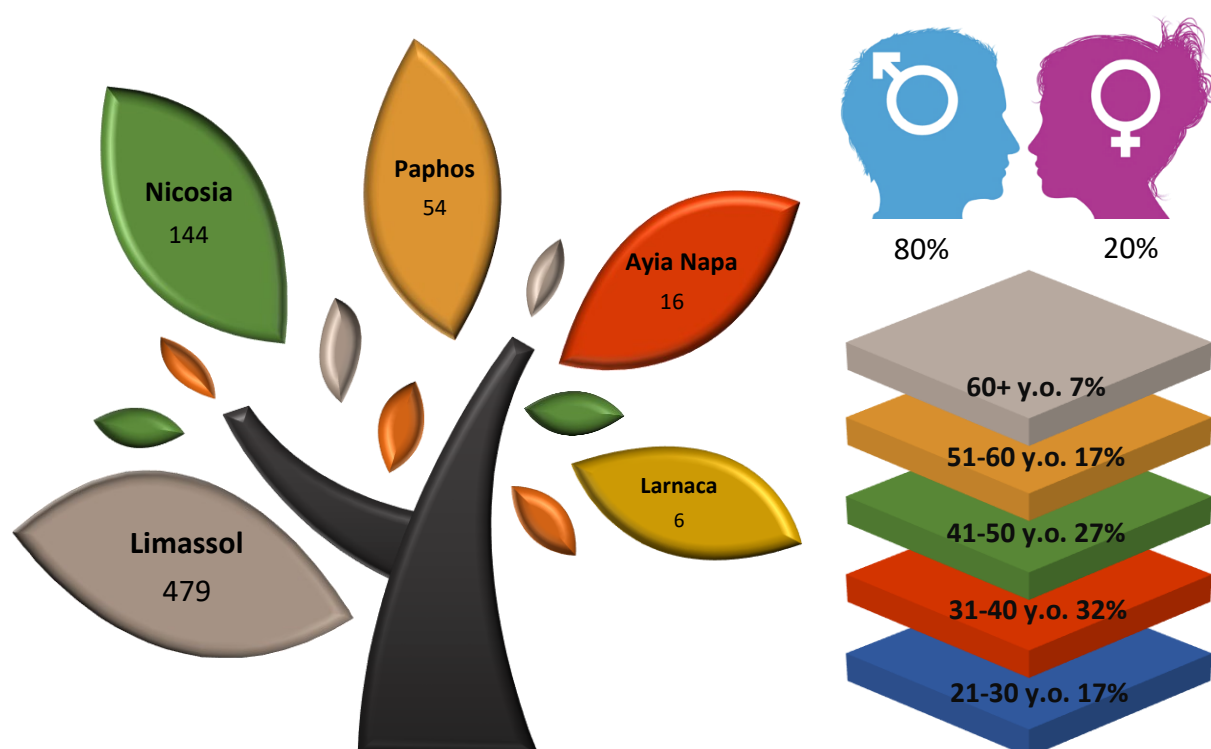


Figure 9: Self-Excluded persons in 2020

“Time-Out”

“Time-Out” is another responsible gaming programme procedure for harm minimization, in which the persons concerned about their gambling behaviours can apply to be temporarily excluded from the gaming activities for a period of 1 day, 1 week or 1 month. Similarly with self-exclusion, the person who has applied for “Time-Out” can choose to be excluded from all the licensed casinos in Cyprus or a particular one(s), as well as to re-apply for a “Time-Out” for the period of his/her choice.

Figure 10 shows that in 2020, 177 people applied for “Time-Out”, of which 20% have applied for a “Time-Out” twice or more during 2020. Most of them (84%) handed their application to the temporary casino in Limassol. The 97% applied to be excluded for 1 month and 3% for 1 week. No customers applied for 1 day “Time-Out”. 73% of individuals that applied for “Time-Out” were male and 27% female. Similarly with self-exclusions, the largest part of the individuals who applied for a “Time-Out” (60%) are aged between 31-50 years old, with 16% and 14% to be aged between 21-30 and 51-60, respectively and 10% over 60 years old.

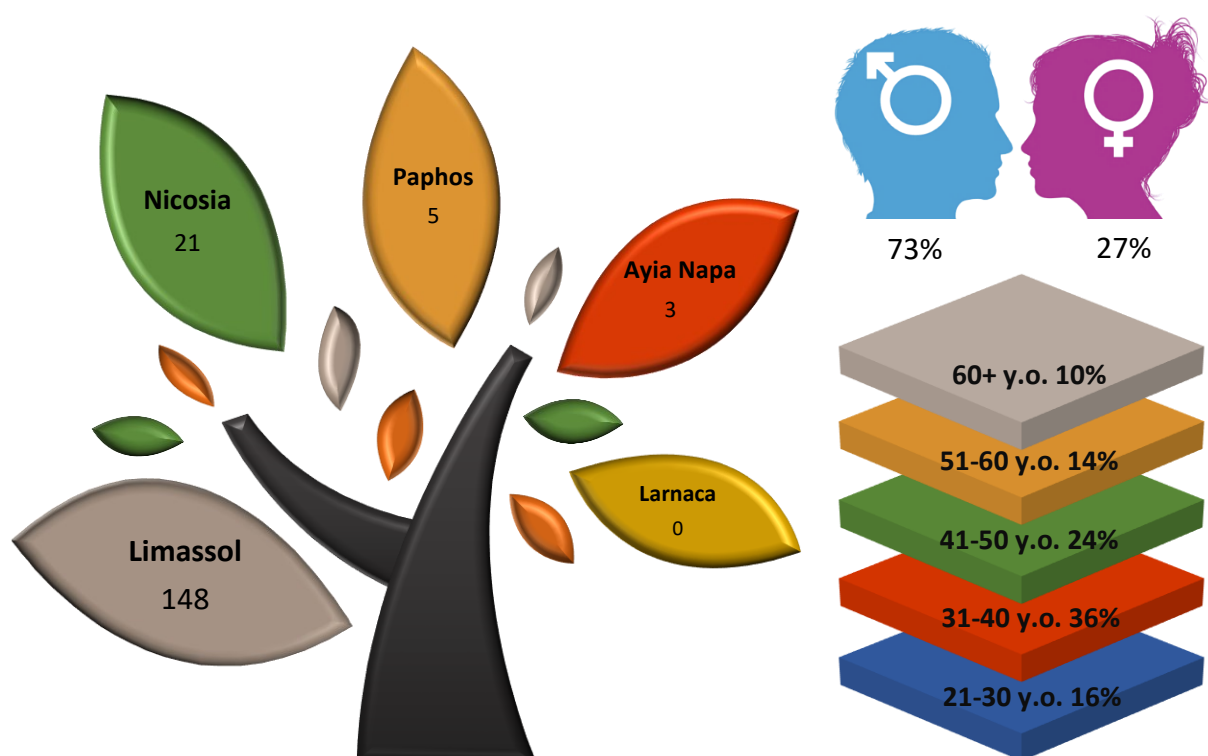


Figure 10: Persons applying for "Time-Out" in 2020

Important Notes:

1. The Paphos satellite casino commenced its operations on 24th of February 2020.
2. In 2020, due to the corona virus pandemic and national measures, casino operations were suspended for the below periods:
 - a. All casinos: 16th of March 2020 – 12th of June 2020
 - b. Limassol and Paphos casino: 13th of November 2020 – 16th May 2021
 - c. Nicosia and Ayia Napa casino: 30th of November 2020 – 16th of May 2021
3. The Larnaca satellite casino closed during first suspension period.



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