



Κυπριακή Δημοκρατία
Republic of Cyprus



2019 ANNUAL REPORT



CYPRUS GAMING + CASINO
SUPERVISION COMMISSION

ΑΡΧΗ ΠΑΙΓΝΙΩΝ + ΕΠΟΠΤΕΙΑΣ
ΚΑΖΙΝΟΥ ΚΥΠΡΟΥ

www.cgc.org.cy

Φίλιου Ζαννέτου 2, 2ος Όροφος, Γραφείο Αρ.2, 3021 Λεμεσός, Κύπρος
Τηλ: +357 25573800, Φαξ: +357 25573801, Ηλ. Διεύθυνση: info@cgc.org.cy

2 Filiou Zannetou St., 2nd floor, Office No.2, 3021 Limassol, Cyprus
Tel: +357 25573800, Fax: +357 25573801, Email: info@cgc.org.cy



Contents

CHAIRMAN'S MESSAGE	4
CHIEF EXECUTIVE'S MESSAGE	6
WHO WE ARE.....	8
THE INTEGRATED CASINO RESORT	9
ICR Development.....	9
OUR APPROACH	9
Principles based and Risk focused regulation	10
Values	11
ORGANISATIONAL DEVELOPMENT.....	12
THE COMMISSION IN NUMBERS.....	14
Different generations working together towards a common goal	14
An attractive workplace for both men and women	15
At the heart of the local community managing an international project.....	16
A formula for success: Learning and Development	16
LICENSING	17
COMPLIANCE.....	19
Casino Operations	19
Financial Compliance.....	20
Technical Compliance and Data Analytics.....	21
AML Compliance.....	22
LEGAL.....	23
Casino customer dispute resolution.....	24
RESPONSIBLE GAMING	24
Responsible Gaming Plan 2018 – 2021	25
Casino Statistics	27
Underage Entry to Casinos	29
Exclusion Orders.....	30



Figures

Figure 1: Commission Organisational Structure (December 2019)	14
Figure 2: Commission's Generation Split	15
Figure 3: Commission's Gender Split.....	15
Figure 4: Commission's Gender Split by Position Level	16
Figure 5: Learning and Development Activity in Hours.....	16
Figure 6: Total casino visits and registrations for 2019	28
Figure 7: Challenges for Age Verification on casino entrance by casino for 2019.....	29
Figure 8: Self-Excluded persons in 2019	31
Figure 9: Persons applied for "Time-Out" in 2019	32

Tables

Table 1: Licences Granted	18
Table 2: Licences Amended	18
Table 3: Licences Revoked.....	18
Table 4: Applications Refused	18
Table 5: Total Registrations for 2019 by Nationality.....	28
Table 6: Underage entry incidents by casino for 2019	30

CHAIRMAN'S MESSAGE

2019 was a busy and productive year for the Commission for growth, development of skills and training of its officers and engaging with, guiding, and supervising the licensed casino operator.

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.

In 2019, the Commission issued a premises license for a satellite casino in Ayia Napa, several casino employee and key casino employee licences, gaming suppliers licences, casino games approval and other gaming equipment, and its first junket operator license in early 2020.

A corporate governance framework based on best regulatory practice was adopted by the Commission Members for Commission operation. Seven new

regulatory
Directions
were
developed
and issued
to the



operator during 2019 in order to maintain a robust regulatory environment.

In 2019, the Commission expanded its offices in Limassol, 18 Filiou Zanettou Str. and corner of Dodekanisou to the ground floor of the building to accommodate several new officers and provide the facilities to properly exercise our responsibilities.

The temporary casino in Limassol and satellite casinos in Nicosia, Larnaca and Ayia Napa have progressively grown in attendance and gross gaming revenue in 2019. During the year, the temporary casino, operated on a 24-hour basis seven days a week and attracted customers from many countries. The development and construction of the integrated casino resort is underway at pace at the site in western Limassol.

In the meantime, the Commission has recruited and staffed to effectively exercise its duties and supervisory role in applying and enforcing compliance with the Law and Regulations regarding the



approvals and the operation of the casinos in our country.

Commission officers attended and presented at key gaming events nationally and internationally, including the International Casino Exhibition (ICE) in London, the Gaming Regulators European Forum (GREF) annual conference in Limassol, and the Cyprus Gaming Show in Nicosia. We hosted meetings with gaming regulators from Nigeria and Denmark, and had meetings with the UK Gambling Commission and Malta Gaming Authority to exchange ideas and best practices.

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 2019.

Generally, it can be said that the Board of the Commission have worked tirelessly and methodically throughout 2019 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

The past year has seen much progress in accordance with our

three-year plan, developing our framework of policies, procedures, and our capabilities to effectively regulate licensed casino gambling. We have invested in recruiting high potential people and providing training and development opportunities. This will be a priority in the coming years as we prepare for the opening of the resort casino. We have engaged our licensees to support their efforts to identify and manage their regulatory risks by providing information and where appropriate assisting their decision making. The Commission has also promoted our expectation that licensees must be able to identify and manage risks their business activities create.

Regard for the Law, the welfare of casino customers and the reputation of Cyprus is at the centre of our work. We recognise that people get enjoyment from gambling but remain continually aware of the risks that gambling can present, and that the Commission may have on occasions to intervene as necessary and in a way that is proportionate to the circumstances. We

are developing our ability to assess risks by looking at licensee's effectiveness in managing the risks associated with their activities, the gambling facilities and services offered, the management of casinos.

Our three-year plan originally agreed in 2018, and reviewed annually, has the goal of the Commission being an effective and efficient regulator of casino gambling. We have pursued our priorities vigorously in 2019, using our resources to best effective always seeking value for money and being adaptable to changing circumstances. At the time of writing this, we have managed the impacts the measures taken to control the COVID-19 pandemic and are reviewing our approach to be able to respond to further disruption, should the need arise.

Our approach in the coming year remains to identify and respond to risks relating to licensee's regulatory compliance, whilst constantly seeking ways to improve standards. In doing so we have to understand how licensees will innovate and improve, through technology or reorganisation of their resources.

I recognise the people of the Commission have in 2019 demonstrating a commitment to the values and priorities of the Commission and risen to the



- 7 -

professional challenges and heavy workloads.

In the coming year we will improve our efficiency of systems and processes, through the exploitation of technology to reduce bureaucracy and seek to engage

with casino information systems to prepare ourselves for the opening of the new and much larger scale resort casino resort.



WHO WE ARE

The Commission regulates land-based casino gambling in the Republic of Cyprus. The Commission's functions are set out in the Law and Regulations¹. The Commission is a semi-governmental organisation and from 2019 is aligned to the Deputy Ministry of Tourism having originally been aligned to the Ministry of Energy, Commerce, Industry and Tourism. The Law came into force on July 21st, 2015, the Commission established in 2017, the Chief Executive Officer (CEO) appointed in November 2017 and actions undertaken from 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 (Integrated Casino Resorts (Cyprus) Ltd) has the primary responsibility to ensure that their activities are compliant with the law and do not threaten the licensing objectives. The Commission is not responsible for the operation of the Operator’s business and it is expected that the protection of the licensing objectives is central to the Operator’s activity and culture at all levels.

The Commission licences and regulates the Operator, people employed by the Operator 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 believes it is consistent with the licensing 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 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.

¹ Casino Operations and Control Law of 2015 and Casino Operations and Control (General) Regulations of 2016



THE INTEGRATED CASINO RESORT

Integrated Casino Resort (ICR) is a 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 and possibly theme parks. 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 and 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 (Operator), 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 2019, and following completion of pilings and foundation work, the structure is now underway above ground. The completion date was originally expected to be completed by the end of December, 2021. With the interruption of construction due to the coronavirus epidemic for a period, this date will likely be extended to an agreed date in 2022.

The Steering Committee for the Licensing of a single integrated casino resort casino in Cyprus is responsible for monitoring the progress of the development and its milestones and shares responsibility with the Commission for approvals for any changes requested by the Operator.

OUR APPROACH

Our continuing 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 senior compliance staff in quarter three of 2018 we are now increasing our operational compliance capabilities.
3. To increase our knowledge and access to information to guide our decisions. In late 2018 we have been working to ensure that we have access to the information we need from the licensed casino 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 2019 we have developed the principles that underpin the Commission and build from the foundation of the Law and Regulations into 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 resulting from casino gaming, taking necessary and proportionate actions to remedy licensees vulnerabilities, which may include advising or requiring licensees to take action or undertaking enforcement investigations. We will act to ensure that we have confidence that licensees are complying with the Law and identifying and effectively managing the risk to the strategic objectives as stated in 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 or principles that set the standards by which licensees must operate and results we would expect to be observed. We expect licensees the licensed casino operator and other licensees to be able to demonstrate the effectiveness of their efforts to be compliant with the Law, their license conditions and manage their regulatory risk. This will encourage the licensed casino 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 ICR, it does not operate the ICR. It is the Operator's responsibility to implement processes and actions to achieve compliance with the Law. We will seek professional dialogue with the Operator, intervening when we consider that the licensing 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 licenced casino operator in order to identify, assess and address risk to the objectives and compliance with the Law. When thinking about that which may occur, the Commission will consider potential, emerging, and systemic risks, which may impact the ability of the licensed casino operator to meet lawful obligations.

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

Identify risk: The Commission will collect and collate 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 licensee 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 the situation, further investigation of the causes and or even an enforcement investigation.

By building a picture over time, the Commission will identify major risk issues within the casino gaming sector. Once any regulatory action is completed, the risk is re-assessed to determine whether the desired outcome has been met in addressing the risk(s) or further attention is needed.

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 peoples' legal and human rights.
- **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.
- **Engaged;** communicating with our internal and external stakeholders, ensuring that their views are known and considered.

ORGANISATIONAL DEVELOPMENT

Organisational Development under the leadership of the Organisational Development Manager, focuses on achieving the Commission's vision of regulatory excellence being performance based and by focusing on continually improving our people's capabilities.

The Commission's Organisational Development function was established in December 2018 and during 2019 undertook the management of key administrative matters well as the broader role of adopting a planned, coherent approach for the improvement of the overall effectiveness of the Commission, in cooperation with the Executive Director and all internal functions.

In 2019 the work our Organisational Development involved:

- Alignment of the Commission's strategy and the human resources agenda.
- Recruiting managers and other employees to deliver the Commission actions to achieve its goals.
- Selecting the best approaches to meet our present needs and those required for the future following the opening of the much larger resort casino.
- Building our resilience to master new skills and maintain momentum for improvement.

The Organisational Development function has by December 2019 three members of staff working under the Organisational Development Manager. This team working closely with other functions is has been responsible for:

- policy development and strategy implementation,
- people recruitment, skills development, and personnel administration,
- administration and support, including the establishment of the registry, and
- facilities management.

Key deliverables of the Organisational Development function in 2019 are as follows:



- Recruitment and employment of temporary staff to the following posts was completed:
 1. Four (4) Inspectors
 2. One (1) AML Officer
 3. One (1) Finance Officer
 4. One (1) Finance Support Officer
- Published an Employee Handbook with all policies governing the Commission's staff.
- Finalised Codes of Conduct for employees and Commission members,
- Deployed a time and attendance system in accordance to internal procedures.
- Deployed an electronic HR management system.
- Published the Internal Procedures for Public Procurement, trained employees and provided accessibility to the electronic public procurement system.
- Implemented and publicised Registry procedure(s).
- Designed and managed the office facility services.
- Design a Training Matrix involving training requirements by function and position.
- Prepared an Annual Learning and Development Plan for 2019 and monitored its implementation.
- Designed and introduced a Performance Appraisal system, with of all staff.
- Implemented a time management system.

The Commission's organisational structure is as shown in Figure 1, and provides the basis for recruitment and our development plans.

Commission Organisational Structure

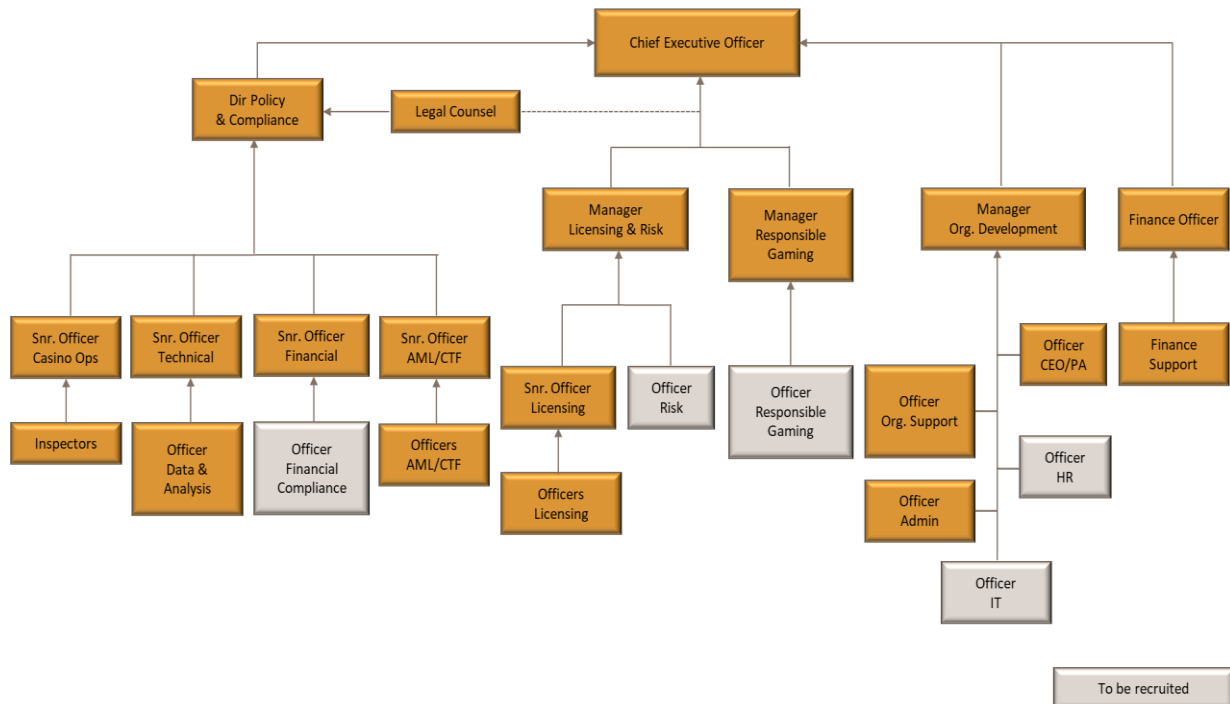


Figure 1: Commission Organisational Structure (December 2019)

THE COMMISSION IN NUMBERS

This report provides information about the Commission's activities and results, and in relation to the people who work to produce positive results in line with meeting our statutory responsibilities. The report provides a broader view of the Commission's people work to produce those results.

Different generations working together towards a common goal

By the end of 2019, the Commission comprised 26 people, of a wide age and generational range. In viewing the Commission's generational profile, we have used the following generation definitions:

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

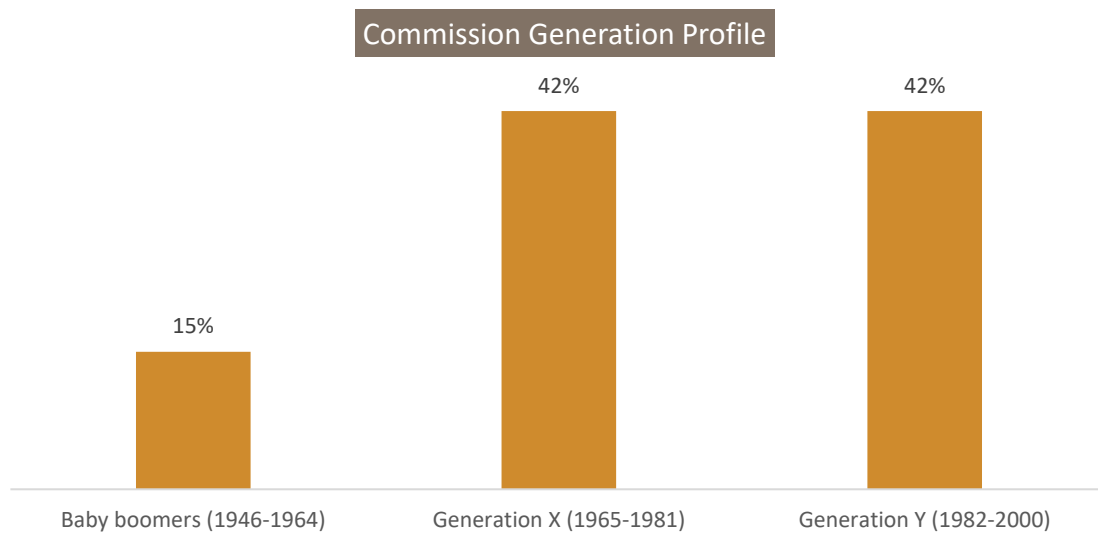


Figure 2: Commission's Generation Split

The Commission is equally a “generation X” and “generation Y” organisation since 42% (11) of our employees belong to each of these groups. The average age of all staff within the Commission is 41 years of age, with 38% (10) of staff under 35 years of age.

An attractive workplace for both men and women

The Commission employs more women than men: 62% (16) of the Commission's workforce is female.

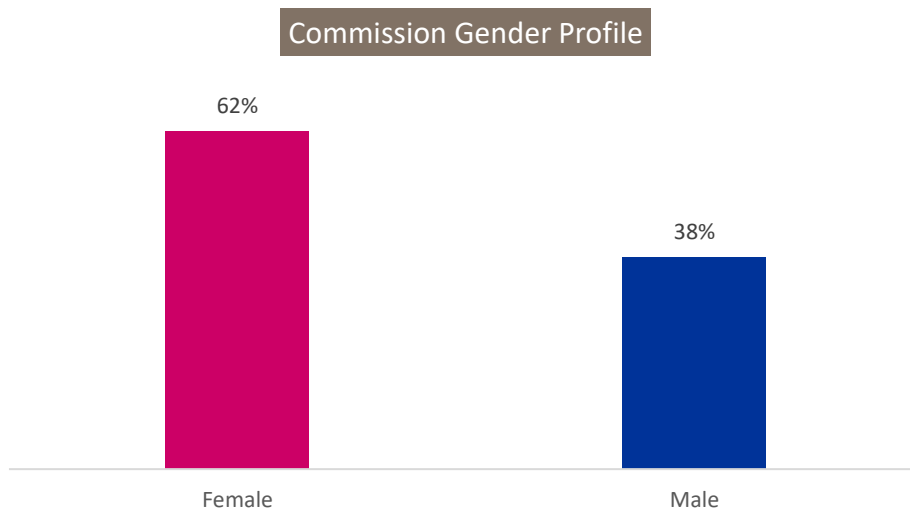


Figure 3: Commission's Gender Split

The female representation is more pronounced at the Officer and Senior Officer level, where the male representation is 25% and 40% respectively. The Director and CEO positions are held by males.

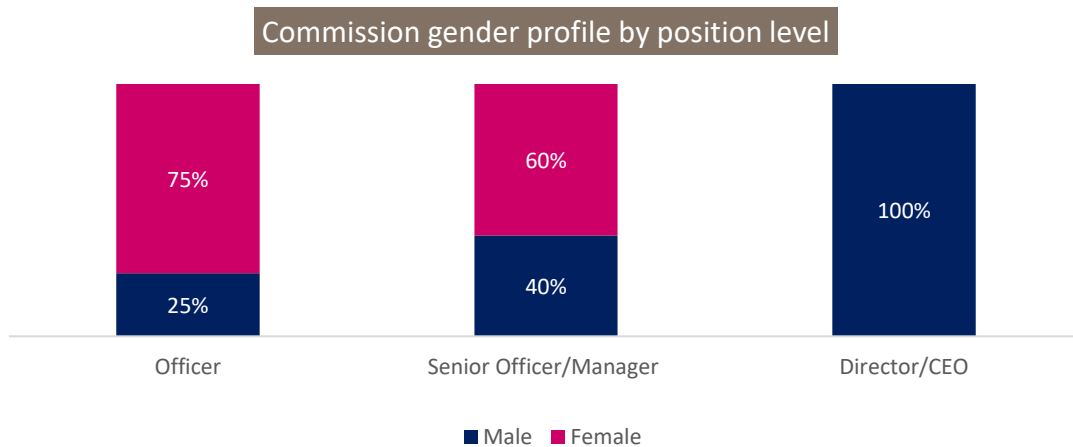


Figure 4: Commission's Gender Split by Position Level

At the heart of the local community managing an international project

Four nationalities make up the Commission's employee base communicating together in both Greek and English languages. 77% (20) of our employee population are Cypriots, reflecting the Commission's focus upon developing Cypriot talent. Greek (4), Serbian (1), American (1) and British (1) colleagues add to the international casino industry experience and profile of the Commission.

A formula for success: Learning and Development

A main focus of effort within the Commission is providing Learning and Development opportunities for our employees to enable them to better execute their statutory responsibilities during the period leading to the opening of the Integrated Casino Resort.

In 2019 we invested a total of 1197 hours on Learning and Development activities in Cyprus and abroad, an average of 46 Learning and Development hours per Commission employee.

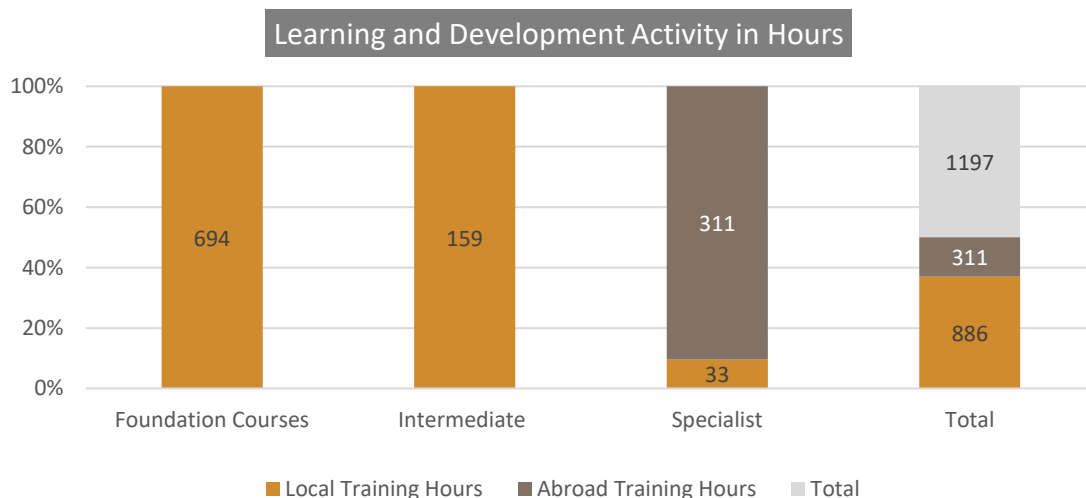


Figure 5: Learning and Development Activity in Hours



LICENSING

Building on the foundations of 2018, the Commission strives to meet its statutory obligations to prevent non-compliance and upholding the objectives of the Law. Licensing is the first stage, ensuring that only suitable people, equipment, and games are allowed in the provision of casino gaming.

The Licensing and Risk Department which was established in March 2018, having established a solid and practicable groundwork for licensing processes and procedures and conduct of Licensing operations to enable the opening of the temporary casino in Limassol in June 2018 and the satellite casinos in Nicosia and Larnaca in December 2018. During 2019 it has built on that experience developing its knowledge and improving its operational methodology.

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 the licensees.
5. Providing advice and guidance to stakeholders.
6. Managing licensee and public enquiries and complaints.

The Commission in determining whether to grant a licence, 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.

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.

In 2019, the Licensing Department received a total of 280 licence applications, including the applications for the Ayia Napa and Paphos satellite casinos and applications from four Junket Operators, and 280 were granted licence, the types shown in table 1. The Ayia Napa and Paphos satellite casino licenses were granted in July 2019 and February 2020 respectively, and the first Junket Operator licence was granted in January 2020.

Table 1: Licences Granted

Licence Type	Granted Licences
Premises	Satellite casino in Ayia Napa
Casino Employees	210
Gaming Suppliers	3
Gaming Supplier Employees	15
Gaming Equipment	14
Casino Games	37

In addition, a total of 138 granted licenses were amended, the types shown in table 2.

Table 2: Licences Amended

Licence Type	Amended Licences
Casino Employees	63
Gaming Equipment	43
Casino Games	32

A total of 164 licenses were revoked and 1 application was refused, as shown in tables 3 and 4.

Table 3: Licences Revoked

Licence Type	Revoked Licences
Casino Employees	164

Table 4: Applications Refused

Application Type	Refused Applications
Casino Game	1



COMPLIANCE

The Compliance team supports the Commission's mission by supervising and monitoring licensees' compliance 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 provides Directions and Guidance and engages to assist licensees in achieving compliance and assurance. Our Compliance team 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 teams that focus on financial compliance, technical compliance, anti-money laundering 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 seven new regulatory Directions in 2019, following consultation with the Operator and approval of the Commission Members. These were the Advertising and Promotions Code (3 January 2019), the Advertising and Promotions Direction (17 July 2019), Casino Layout Direction (17 July 2019), the Casino Surveillance Direction (18 July 2019), the Gaming Equipment Technical Standards (30 September 2019), the Regulatory Reporting Direction (1 November 2019) and the Anti-Money Laundering Direction (19 November 2019).

Casino Operations

The Operations Compliance team's role is to continuously verify and confirm that:

- the services provided by the operator in the temporary and satellite casinos are those permitted by law;
- the 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, their role includes:

- the provision of oral or written instructions to the operator and its casino employees or key casino employees, collectively or individually, to address specific matters;
- working with other specialist members of the Compliance team to assist with their duties; and
- investigation of Casino customers complaints and reports to the Commission.



Key dates for appointments:

1. 18/02/2019, two (2) inspectors were appointed
2. 08/07/2019, one (1) inspector was appointed
3. 18/08/2019, one (1) inspector was appointed
4. 30/11/2019, one (1) inspector was resigned

Inspector training

Training of the inspector team is an ongoing process and is critical to be up to date in their knowledge and skills and to be most effective in our work. Training is a constantly evolving in both content and process. Inspectors training in 2019 covered a variety of topics including casino table games, the operation and functioning of gaming machines, anti-money laundering and responsible gaming policies and procedures.

Inspections during 2019

The Commission casino operations inspectors performed during 2019 the following regular and periodic inspections:

- 670 scheduled inspections took place at the Limassol temporary casino and Nicosia, Larnaca and Ayia Napa satellite casinos, in daily shifts of 7.5 hours.
- 100 unscheduled inspections were undertaken.
- 50 inspections were undertaken in the company of other Commission Officers for cross-training or other purposes.

Financial Compliance

During 2019, the Commission's financial compliance team conducted supervision activity to ensure that the operator is compliant with all applicable laws and regulations. Monthly submitted returns are examined to determine the correct reporting of Gross Gaming Revenues and Casino Tax payments.

Supervision has included onsite and desk-based inspections and reviews to examine compliance with regulatory obligations and to ensure that data/information collected, is accurate. The operator's Internal Control System is reviewed, through interviews and investigations to ensure compliance with documented internal controls. The Commission has also reviewed and appraised 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 has assessed and collected



casino tax for the year 2019 amounting to €12,780,013.

Annual Licence fees

The Commission collects from the operator annual licence fees. For the temporary casino and integrated casino resort of €2,500,000 for the first four years, from the date of grant of the Gaming License, and €5,000,000 per year for the next four years. The annual license fees for Nicosia satellite casino is €1,000,000 and €500,000 for the satellite casinos in Larnaca and Ayia Napa.

Technical Compliance and Data Analytics

The Technical Compliance team has focused upon completing the 2019 priorities which included the following main activities and projects:

- To improve access to, collection and quality of relevant casino information, and in order to achieve an efficient evidence-based monitoring and decision-making capability, the Commission:
 1. has established its Regulatory Reporting Requirements framework for the effective identification, prioritization, and implementation of the Commission's operator intelligence requirements,
 2. has adopted a best practice Business Data Analytics approach supported by analytical and business intelligence tools.

The team contributed to the drafting of the Regulatory Reporting Direction, issued on November 1st, 2019 now incorporated the operator's compliance and reporting responsibilities.

- To increase the efficiency and effectiveness of supervision of existing casinos and in assessing the operator's transition to the large integrated casino resort, the Commission, engages with the operator, in the analysis of the casino's gaming technology and IT infrastructure, and the requirements for establishing more advanced technologies that will permit remote monitoring and supervision. The Commission is progressing work for the preparation of a strategic framework for the verification and testing of gaming technology in alignment with the Commission's Regulatory Risk Assessment methodology.
- In September 2019, the Commission issued the Gaming Equipment Technical Standards (Technical Standards). Technical Standards set out in detail the regulatory technical and operational requirements for gaming machines and some other types of gaming equipment.
- Technical compliance officers undertaken casino floor examinations and technical reviews of the technology used in the conduct of gaming in order to ensure that its operation and performance complies with the Commission's Technical Standards.



Officers have assisted in investigations of casino customer complaints related to gaming technology.

AML 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 2019 (L.188 (I)/2007) (AML Law). The Casino Operations and Control Law (2015) (Casino Law) additionally requires the Operator to implement an anti-money laundering (AML) programme approved by the Commission.

As a Supervisory Authority, the Commission has the authority and obligation to issue Directions to the ICR. The first AML/CFT Direction (Direction) of the Commission was issued in November, 2019 after an extensive consultation period with the Operator. The Direction details and specifies the way of applying the provisions of the AML Law by the Operator in the Republic of Cyprus and requires implementation of procedures and systems for the effective prevention of the risks of money laundering and financing of terrorism.

As a supervisory authority under the AML Law, the Commission has a role to monitor, evaluate and supervise the application of the provisions of the AML Law and of the Direction issued pursuant to the provisions of AML Law to the operator in the Republic of Cyprus.

The Commission has adopted a risk-based approach to supervision and in that regard the first Risk Assessment in line with the requirements of the Article 59(5) of the AML Law was conducted in 2019. The risk assessment is reviewed both periodically and when there are major events or developments in management and operations of the obliged entity. The areas assessed as high risk require increased attention of the Commission not only as part of onsite inspections but through off-site reviews and monitoring throughout the year and in that regard the Commission has undertaken a number of steps to address the identified risks. In the course of the first half of 2019, the operator was required to undertake an external specialist review of its AML/CTF program, which resulted in an action plan applied during the last quarters of 2019.

During 2019, the Republic of Cyprus was subject to the assessment of its AML/CFT controls by the MONEYVAL Committee of the Council of Europe. The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) is a permanent monitoring body of the Council of Europe entrusted with the task of assessing compliance with the principal international standards to counter money laundering and the financing of terrorism and the effectiveness of their implementation, as well as with the task of making recommendations to national authorities in respect of necessary improvements to their systems.

The assessment, conducted on the basis of the FATF methodology by a team of international experts, reflects the measures adopted by Cyprus in the fight against money laundering and



terrorist financing over the recent years and identifies areas where further enhancements and improvements are needed. During the course of 2019 the Commission actively participated in preparation of various materials and information as requested by the assessors, and it took part in onsite visit of the assessment team to Cyprus in May 2019 as well as in plenary meeting at the Council of Europe in Strasbourg in December 2019.

The 5th Round Mutual Evaluation Report (MER) report of Cyprus was officially issued in February, 2020. The 5th Round of evaluation by the FATF standards is a very demanding exercise with very few countries achieving high results. Cyprus is one of 25 countries out of 98 undergone this assessment which do not have a low evaluation grade in any of the eleven pillars composing the effectiveness assessment. Cyprus AML/CFT measures have been assessed as substantially effective in three out of the eleven effectiveness pillars and moderately effective in the remaining eight. On the technical compliance, Cyprus has achieved Compliant or Largely Compliant ratings in most of the 40 parameters with only two partially compliant ratings and none non-compliant rating. The report provides positive comments to the efforts of the Commission as a supervisory authority under the AML Law as well as some recommendations for improvement of its work in the following months.

During 2019, the Commission has focused upon improving its offsite supervision and developing its methodology for regulatory inspections. In December 2019 enhancements of monthly returns submitted by the operator were introduced and in 2019 the Commission prepared its methodology for AML/CFT assessments. This is an important tool for delivering effective onsite assessments of AML/CFT compliance program of the operator. The methodology is based upon the Control Integrated Framework produced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO framework) and takes into account six core regulatory risk management elements: control environment, risk assessment, control activities, information management and reporting, monitoring and evaluation.

The Commission is a member of the Cyprus Advisory Authority for Combating Money Laundering and Terrorist Financing which is established under Article 56 of the AML Law and which operates as an advisory body to the Council of Ministers regarding AML/CFT matters. The Commission participates regularly at the meetings of the Advisory Authority with the scope of enhancing AML/CFT rules applicable to the area of its regulatory responsibility.

LEGAL

In 2019, the key activities of the legal team were mainly focused on reviewing and providing advice to officers of the Commission on a wide variety of Cyprus law legal issues facing the Commission operations, including interpreting government circulars and guidance, public law, administrative law, and employment law.



Of particular importance, the legal team advised on the Commission's internal procedures and policies including but not limited to: (a) the Commission corporate governance framework, (b) the Code of Conduct of Commission Members and Commission Employees, (c) the Employee Handbook, (d) the Internal Procedures for Public Procurement and Related Matters, and (e) the Alternative Dispute Resolution legal framework.

The legal team also contributed to the complaints and disputes investigation procedures and provided suggestions to various Directions issued to the operator.

Casino customer dispute resolution

The Casino Operations and Control Law of 2015 and the Casino Operations and Control (General) Regulations of 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 2019 the complaints and disputes managed by the operator totalled 151 (146 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 casino operator's complaints procedure.

- Principle 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 9 requests for disputes investigations from which it investigated 8. 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

The Commission is responsible to ensure that the operator is compliant with the requirement of law, has a responsibility to undertake actions to mitigate harms related to casino gambling. This is to be achieved through supervision of the operator's actions within their responsible gaming programme and by working with relevant others to address the potential negative



effects of casino gaming on society, particularly minors and vulnerable groups, are minimized and controlled. The Commission's own responsible gaming plan guides the Commission to discharge its responsibilities.

Responsible Gaming Plan 2018 – 2021

The Commission's plan is built on 3 priority pillars of activity; the prevention of problem casino gaming, support for the provision of therapy for those with gambling problems and the deterrence of Illegal gaming.

The Responsible Gaming (RG) plan recognises the importance of communication and collaboration with key stakeholders and in 2019 we have invested significant effort to engage and work with partners, government, and local and international non-government organisations (NGOs), focused upon measures for the protection of minors, young adults, and vulnerable groups.

We have engaged continuously with operator on the development of its safer gambling programme and will to assessment of the operators of their programme during 2020. The prevention Commission's actions have focused upon raising public awareness as to the risks of uncontrolled and uninformed gambling, supporting the education of children and young persons, the provision of expert training to casino staff and to the healthcare professionals who provide support/ advice/ help to those experiencing gambling related harm.

Specific initiatives include:

KENTHEA

During 2019, collaborated with the non-government organisation, "KENTHEA", to deliver prevention programs in schools, targeting at students, educators, and the parents of participating children.

Two prevention programs aimed at students aged 10 – 14 and 14 – 16 were introduced to be continued in 2020. The work helps develop protective mechanisms for children to prevent them from putting their psychological or physical health in danger. They aim to reinforce child's skills in emotion regulation, in order to develop resilience to negative behaviours and habits. In the older age group, the myths and realities surrounding the concepts of luck, chance and independent events are further explored. During the provision of information about the program objectives, the parents of the students also receive practical advice on how to safeguard themselves and their children from gambling related harm.

Psycho-educational workshops for educators have been designed in 2019 to be introduced in 2020, providing information to teachers about gambling addiction and how they can incorporate such information in their lessons, while addressing potentially harmful behaviours in class.

Finally, the program provides for a storybook competition in 2020, for students to write about



how they perceive addiction. The winning storybook to be published and distributed by the Commission and KENTHEA.

Responsible Gaming Awareness Week (RGAW)

The Commission collaborated with the National Betting Authority for the 2nd Responsible Gaming Awareness week (RGAW) during 7-13 October 2019, in Cyprus. RGAW aims to raise public awareness on the risks associated with gambling activity, to inform society on the existing legislation and the self-protection measures and to encourage and support the national and international exchange of ideas and best practice in the field of RG.

Local and international stakeholders from the betting and gambling industry, including regulators, operators, researchers, academics, and NGO's contributed to the event. Globally renowned speakers shared their expertise and knowledge in presentations and panel discussions during the conference day and the following week of learning in seminars, workshops, and training events.

During the RGAW the Commission organized events on the theme of "Youth and Prevention". This entailed training workshops for the casino staff hosting a professional trainer with international expertise. The Commission's supervision of the operators' application of its responsible gaming programme where appropriate will provide support by the enhancement of the knowledge and skills of all levels of staff, directly or indirectly involved in the effective application of their programme.

Cyprus Gaming Show 2019

In May 2019, during the Cyprus Gaming Show in Nicosia, the Commission was represented and contributed to a panel discussion on the theme of "An Action Plan for responsible gaming in Cyprus and Beyond".

Gaming Regulators European Forum (GREF)

The Commission collaborated with the GREF to organise the 30th GREF international conference in Cyprus, 21 – 23 May 2019 in Limassol.

Working Groups on responsible gaming and information management took place and the Commission participated in both. The Commission's responsible gaming manager was elected co-chair of the Responsible Gaming Working Group and has since represented the Commission in October 2019, and presented on the "Benefits and Risks when rewarding customers for RG".

Commission and Finnish collaboration

The Commission seeks to establish and strengthen synergies with national and international agencies, bodies, and experts, to exchange insights on regulatory effectiveness and challenges. Collaborations are sought where there is evidence of potential to maximize our knowledge, capacity and efficiency while influencing those of others.



The Commission participated in the training events provided by “Bet your life”, organized in Cyprus under the strategic partnership of a Finnish NGO which provides help, advice, and support to those suffering from gambling harm. In March 2019, the Commission RG manager participated in discussions in Helsinki with the Research Department of Helsinki, University, National Gambling Addiction Treatment Clinic and the Advice and Support State services. Grounds for further collaboration on aligned objectives in prevention and treatment was identified by both countries.

Professional visits of international Gambling Regulators to Cyprus

During the reported period, delegations from two international Regulatory Bodies visited Commission offices in Limassol, to develop cooperation and exchange views and best practice on RG related matters as well as other compliance matters.

The Oyo State Gaming Board (Nigeria) representatives visited CGC in May 2019 and a delegation of experts from the Danish Gambling Authority was hosted in August 2019. Common issues we encounter in establishing and safeguarding RG in our countries were discussed and expertise in RG matters was shared.

Supervision of the ICR Responsible Gambling Programme

During the reported year, the Commission engaged the ICR in considering the operator’s RG Program, initially approved by Commission in 2018. Monitoring of the submitted casino data and the on-site inspections performed by our staff led to discussions as to the effectiveness of controls being applied, the quality of information collected and supplied. The ICR’s programme will be further evaluated in 2020.

Casino Statistics

The Commission obtains monthly reports from the Operator on casino attendance and registrations, underage entry to casinos, exclusion orders and self-exclusions and time-outs.

Visits and Customer Registrations

Figure 6 shows the casino’s visitations and registration figures for the licensed temporary Limassol casino and satellite casinos in Nicosia, Larnaca and Ayia Napa for the year 2019.

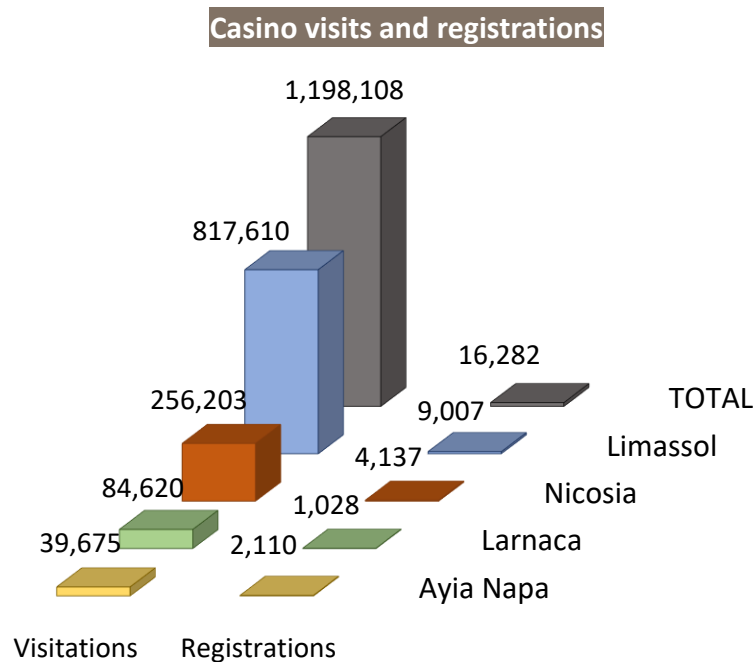


Figure 6: Total casino visits and registrations for 2019

2019 was the first full year of operation for the temporary casino in Limassol, Nicosia and Larnaca satellite, while the Ayia Napa satellite commenced its operations in July 2019.

During 2019, combined, all four licenced casinos in Cyprus exceeded a million visitations. The largest percentage of visitations was at the Limassol casino (68%), Nicosia (21%), Larnaca (7%) and Ayia Napa (3%) (for only 6 months).

Registrations at each casino reflects the profile of visitations. 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 amount of casino customers registered in 2019 are Cypriots (62.65%), Israeli (8.72%) and Greek (8.37%). It is worth mentioning that in 2019 customers of 105 different nationalities have visited and registered at the licenced Cyprus casinos.

Table 5: Total Registrations for 2019 by Nationality

Nationality	Total No. of Registrations	% on total No. of registrations
Cypriot	10,200	62.65%
Israeli	1,419	8.72%
Greek	1,362	8.37%
Bulgarian	417	2.56%
Russian	383	2.35%
Romanian	281	1.73%



Nationality	Total No. of Registrations	% on total No. of registrations
Lebanese	249	1.53%
British	235	1.44%
Chinese	167	1.03%
Jordanian	155	0.95%
Other 95 nationalities	1,414	8.68%

Underage Entry to Casinos

Challenges on entry

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 7 illustrates the total challenges for age verification before entry at each licenced Cyprus casino for 2019. In 2019, the operator performed over 20,000 challenges to casino customers for age verification prior to their entry in the casino floor.

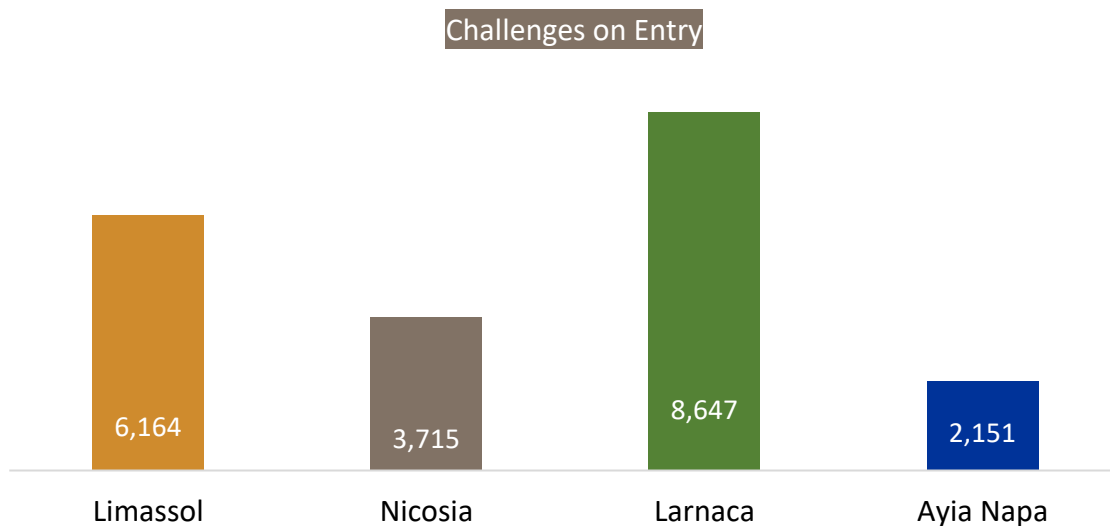


Figure 7: Challenges for Age Verification on casino entrance by casino for 2019

Underage access to casinos

A total of 47 underage access events were detected and reported to the Commission. Two incidents were identified for each of the temporary casinos in Limassol, Nicosia and Ayia Napa satellite. At the Larnaca casino, 41 incidents were identified, of which, 26 were incidents



involved small children outside the control of their parents, inadvertently entered the casino for a brief time and were promptly removed.

Table 6: Underage entry incidents by casino for 2019

Casino venue	Underage entry incidents
Temporary Casino Limassol	2
Nicosia satellite	2
Larnaca satellite	41
Ayia Napa satellite	2
Total	47

Exclusion Orders

The Law permits the Operator, the Commission, Police, and the Courts to exclude persons where appropriate. During 2019, no exclusions were ordered by the Commission, Police or Court, while a total of 137 exclusion orders were made by the operator. The main reasons were failure of those persons excluded to comply with the Casino Law and Regulations, failure to comply with the posted Casino House rules, repeated breaching of self-exclusion or inappropriate behaviour.

Self-Exclusions

The operator must have established responsible gambling program procedures to allow any person who consider itself vulnerable and concerned about their gambling behaviours to apply voluntarily to be excluded exclusion from a casino premises.

Self-exclusion is one of the casino's harm minimization procedures where a person voluntarily requests for the period of six months to be excluded from the casino premises and any gaming activity. The person has the choice to apply to be excluded from all the licensed casinos in Cyprus or a particular one(s). Self-excluded customers after the period of 6 months, can re-apply for self-exclusion if they wish so.

Figure 8 illustrates the casino location, gender, and age profile of self-excluded customers. 727 customers applied for self-exclusion up until the 31st of December 2019, of which the 16% have applied twice during 2019. Most of the self-exclusions (74%) have been signed at the temporary casino in Limassol. 85% of the self-excluded individuals are male and 15% female.

The largest portion of the self-excluded customers (61%) are aged between 31-50 years old. The 19% and 16% are aged between 21-30 and 51-60 years old, respectively. Only 4% of the self-excluded patrons are over 60 years old. An important note is that the 72% have applied

to be excluded from all casinos and 28% from individual casinos (mainly from the Limassol casino).

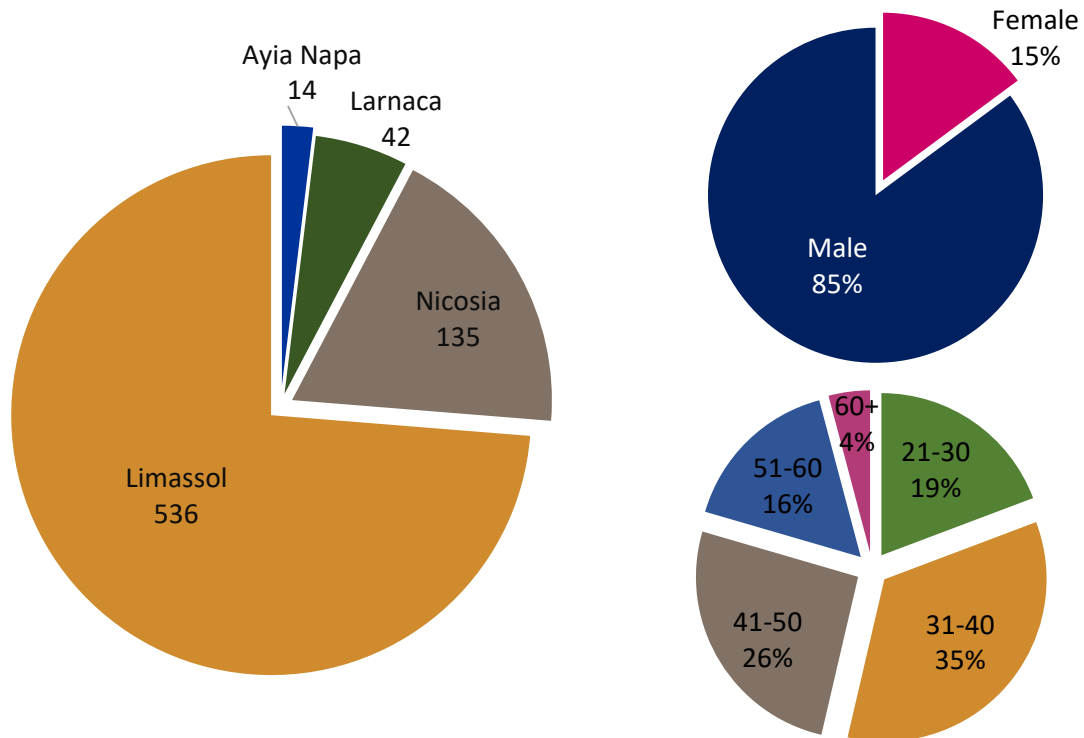


Figure 8: Self-Excluded persons in 2019

Time-Out

“Time-Out” is another responsible gaming programme’s procedure for harm minimization, where persons concerned about their gambling behaviours can apply to be excluded from the gaming activities for a period of 1 day, 1 week or 1 month. As with self-exclusion, a 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 9 illustrates the 2019 profile by casino location, gender, and age, of the 176 customers that applied for “time-out”. 20% applied for a “time-out” twice or more during 2019. Most (88%) handed their application to the temporary casino in Limassol. The 90% applied to be excluded for 1 month, 9% for 1 week and only 1% for 1 day. 71% of individuals that applied for “time-out” were male and 29% female. Similarly, with self-exclusions, the largest part of the individuals applied for a “time-Out” (56%) is aged between 31-50 years old, with the 20% and 17% to be aged between 21-30 and 51-60, respectively and 7% over 60 years old.

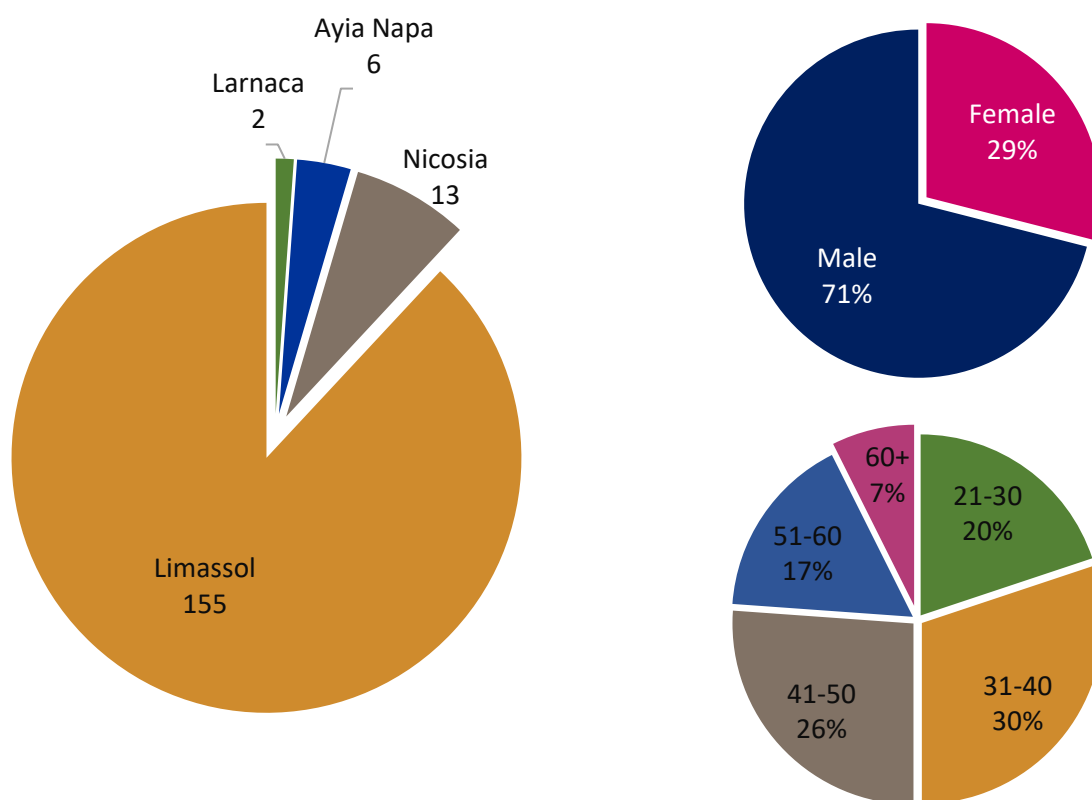


Figure 9: Persons applied for "Time-Out" in 2019