

MANAGING COMPLIANCE IN THE ONLINE GAMING WORLD



Operators in the online gaming industry are facing an increasingly stringent and localised global regulatory environment. This makes multi-jurisdictional management of technical and licensing compliance to the latest regional regulations more and more complex.

A global shift towards tighter regulations with a more localised focus has impacted navigation of the compliance landscape for online operators who were once primarily focused on financial transaction processing, PCI and IT security compliance, Anti-Money Laundering (AML) regulations, Data Protection and corporate compliance for stock markets. To ensure compliance obligations are met now requires tight management of a constantly evolving, multi-jurisdictional landscape of technical and licensing compliance and regulations.

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A MATTER OF GEOGRAPHY

In Europe, whilst there is a clear directive for open border trading, applying that principle to the online gaming world has been very contentious with individual countries effectively closing their online gaming borders by imposing geographic jurisdictions for responsible gaming and taxation purposes. This confinement has led to a lack of regulatory 'harmonisation' between jurisdictions, opened up a raft of referrals to the EU and the stalling of licensing regimes, such as Germany.

As a consequence many smaller online gaming operators have focused their attentions on particular niche markets in a regulated environment, such as Italy. By targeting one territory, with one language and one set of regulations, an operator can keep compliance costs lower and operating teams small.

By contrast, meeting the complex regulatory requirements of multiple jurisdictions is a must for larger sports betting and gaming companies with a wider online and cross border reach. Achieving benefits of scale can be difficult, with each jurisdiction adding incrementally to compliance requirements and overheads.

This means that in the real world operators must balance licensing risk against revenue generation and have the ability to act according to an order, set of rules or request from any of their licensing jurisdictions. Many such operators have invested in their own in-house compliance teams that effectively support all business areas in their duty to comply with relevant laws, regulations and internal procedures.

In the wider arena, global companies also have a need to cross continental borders and must be cognisant of the regulatory compliance requirements of each territory within which they operate. With some states in the USA now open to online gaming, albeit in a far more segregated fashion than even the European states, what does the future hold? Opportunities are opening in Eastern Europe, with eyes on Russia and Asia, suggesting that further complex global compliance for the online gaming industry is inevitable.



COMPLIANCE IN GENERAL

In the definitive sense of the word, compliance means conforming to a rule, such as a specification, policy, standard or law. Regulatory compliance describes the goal that organisations aspire to achieve in their efforts to ensure that they are aware of, and take steps to adhere to, relevant laws and regulations in their day to day operations.

A good company will employ a Compliance Officer (CO) who will have the overriding objective to ensure that the organisation has systems of internal control that adequately measure and manage the risks that it faces. The CO has a duty to his employer to work with management and staff to identify and manage regulatory risk. A good CO will have a combination of experience, knowledge and skills to enable them to work closely with their internal practitioners as well as directly with regulators. Compliance professionals will be determined to embed and develop good practice and an ethical culture of responsibility, but they must also be commercially aware, understanding the nature of the business that they are involved in.

Having a good CO is not the only requirement for effective compliance to take root in an organisation, however. A key part of any jurisdictional regulation is the need for all employees to be aware of and understand the implications of, the regulatory and legal environment in which the firm operates. This becomes more crucial the more senior the role. A vital part of any compliance initiative has to be the training of its employees – from the top down – to understand, acknowledge, and remain informed of, its obligations.

THE IMPACT OF EXTENDED REGULATION IN EGAMING

Given the geographical complexities of multi-jurisdictional licensing and compliance, what exactly does a gaming Compliance Officer and their team need to focus on? There are a number of areas that need to be managed:

- Understanding the external governance frameworks that are in place and why the external operating environment is formed as it is
- Understanding the regulatory compliance framework within which the business operates and applying commercial parameters
- Collating and compiling materials for license applications (both B2B and B2C), managing the application through to license issue
- Maintaining up to date internal control documentation for each jurisdiction and associated games
- Managing ongoing compliance review processes in those jurisdictions within which the business operates
- Managing the ongoing certification and compliance of the businesses content, services and systems
- Improving business practices with regard to commercial and regulatory developments
- Keeping abreast of regulation changes and deadlines
- Regular license maintenance and regulatory reporting tasks
- Managing and maintaining corporate and IT policies

- Maintaining communications with key external stakeholders including regulators, license issuers, test houses, trade associations, legal counsel and industry lobbying groups
- Maintaining communications with key internal stakeholders including project management, product development, software development, deployment, support and infrastructure management, sales and account management, operations and marketing and legal services
- Ensuring appropriate levels of due diligence and document management for third parties
- Coordinating and managing technical and compliance audits with third parties
- Delivering training to the organisation and maintaining records
- Liaison with third parties on issues of content, services and systems certification

Not a small list of important tasks for a compliance team to keep track of! Identifying the risk to the business of the various tasks would enable a compliance team to focus on the highest risk areas first and not to get bogged down in the audit minutiae.

Compliance does not produce revenue but, at its best, it both enables and safeguards it.

TASK LIST MANAGEMENT

Most companies without large technical resources manage all their tasks manually via a complex web of filing systems, spreadsheets and the dreaded email.

What's wrong with that? Well, many tasks are complex and onerously time consuming, prone to human errors and deadline misses, and clearly the audit trail becomes very difficult to manage. Given the annual requirements for audits for each jurisdiction, a lot of time can be wasted tracking down box-ticking items of compliance which are being done by disparate teams across the organisation but not easily evidenced. This type of problem can be exacerbated by a difficult and complex job being done by very small teams in a business where they can be considered as business disablers. Compliance does not produce revenue but, at its best, it both enables and safeguards it.

Working in the way described above is clearly prone to significant risk. Key risks could include:

- Losing a principle compliance staff member who may be performing repetitive but critical tasks, or holding knowledge that has not been adequately shared. Loss of knowledge should be considered a high risk item by the company board
- Missing a deadline for reporting, or supplying incorrect information, to a regulator can act as a red flag causing the risk profile of the company to be raised. As a consequence, even more intrusive compliance requirements may be imposed by that regulator
- Inadvertently misinforming regulators. Regulators are becoming more and more cooperative with each other in terms of information supply around high risk entities
- Exposure to payment and money laundering risks. AML and financial risks are becoming higher profile across all industries and gaming is no exception. In-house compliance needs to be constantly aware of the latest developments and to ensure that solutions are in place to safeguard the level of acceptable risk
- Dynamic and increasingly demanding regulatory requirements, more licenced jurisdictions, and expanding supply chain relationships in a rapidly evolving global market compound the compliance risks and challenges

- Business insight and risk mitigation can be restricted if it depends on manual activities drawing from disparate data sources. Reporting is arduous and time consuming and is always a snapshot of what has happened, not what is happening

We know that compliance is a business requirement, to safeguard the reputation and operation of the business, but compliance management of a multi-jurisdictional regulated company is a labour-intensive, complex and costly task. Compliance Officers are becoming more liable for corporate failings, a situation that adds to the difficulty of finding good and experienced compliance staff willing to take up that responsibility without a strong internal support system.

CAN COMPLIANCE BE AUTOMATED?

There are a number of areas where automation of compliance activities has been developed, particularly on the security and payment processing side. Implementation of a licensing compliance programme can only enhance the effectiveness and efficiency of a team. By enabling transparency to regulation, the risks associated with licensing and lack of compliance can be lowered. Engaging individuals within an organisation to focus on their own areas of responsibility in a clear 'call to action' way would free up precious time for CO's to focus their attentions on the areas of higher risk.

When managing multiple licenses, having a dashboard that simply and easily enables comparisons between jurisdictions' regulations would allow harmonisation and consistency in the approach to solutions throughout the company. For example, comparing the responsible gaming regulations between all licenses to identify gaps would allow developers to build products to the highest standard thereby ensuring consistency and auditability. One solution instead of multiple solutions means less management required and a lower risk of failure.

Examples of key areas where implementing a consolidated compliance workflow management system could bring significant benefits are:

- Having all of your compliance regulatory requirements - jurisdictions games, issues, third parties, etc - in one place
- Enabling stakeholders to engage with compliance considerations that affect them through one portal where everything can be tracked

- Ensuring that workflow for compliance assessment is fully managed, with all supporting provisions and documentation linked to appropriate regulations
- Manage the compliance lifecycle for any game across multiple jurisdictions
- Facilitate and reduce the volume of work for audit purposes
- Manage the full lifecycle of compliance issues
- Manage third party relationships, documentation and licensing
- Manage policies, distribute and track training, record certification and attestations

Implementation of a licensing compliance programme can only enhance the effectiveness and efficiency of a team.

In summary, implementing these types of compliance software systems can provide cost savings by improving the efficiency of implementing and managing your programme, whilst also enhancing risk mitigation and business understanding.

WHAT SHOULD I CONSIDER?

Compliance is about the business and how you can best meet management's needs, along with the needs of the regulators. Use technology to help continually keep all of the right people in the corporate compliance loop. Regular compliance training programmes for both IT staff members and business users on regulations can protect the organisation as a whole. A practical 21st century solution to compliance task management would increase speed of action, decrease the cost of compliance and enable senior management to keep tabs on corporate risk, finally allowing compliance to become a core business enabler.

HOW SAI GLOBAL CAN HELP

In today's climate of increasing regulatory demands and complexity, organisations in the gaming industry need the ability to effectively manage risks and compliance mandates in every jurisdiction they have a presence. Errors and gaps can result in severe penalties and significant damage to an organisation's brand. Ultimately, organisations need the ability to build a rock solid wall of protection that reduces risks, minimises the overhead costs of governance and compliance and provides maximum business insight across all operations.

SAI Global provides the software applications, integrated legal and regulatory content, and analytical tools needed to create a comprehensive governance, risk management and regulatory compliance programme with the goals of reducing risks, ensuring compliance, improving efficiencies, and enhancing transparency. Working with SAI Global enables organisations to fully manage and easily report upon all aspects of the compliance lifecycle. Organisations can organise all of their regulatory requirements in one place; meet licensing needs with fully configurable workflows that provide all that is need for audits; on-board and work with third parties; manage issues and ensure policies are current, available and certifiable.

Every day, over 250,000 active users trust SAI Global's solutions to help them take control and create a culture of risk management and compliance.



ABOUT THE AUTHOR

Anna Dearlove, Director of Compliance, NYX Gaming Group Ltd

Anna Dearlove has worked in various customer facing roles in the software industry since 1993, working with major clients in the Retail, Digital Rights Management and Data Quality sectors before joining the CryptoLogic group in 2003 to develop the William Hill online gaming product account and subsequently Director of Client Services.

In a variety of roles over the years, Anna has gained significant experience and knowledge in the fields of Project Management, Sales & Business Development, User Training, Software Testing, Operational Consultancy, Account Management and Licensing/Compliance.

Anna moved up to take on the responsibility for online licensing at CryptoLogic in 2011, then Director of Compliance for the Amaya Online B2B division and currently NYX Gaming Group Ltd following various acquisitions. Focussed on managing the smooth interface between the technical bodies designing, developing or implementing the gaming products and the licensing authorities regulating those products, Anna also worked within the business to cater to the future needs of licensees and players. This included licenses in Malta, Alderney, Gibraltar, Denmark, New Jersey and the United Kingdom and supporting compliance of operator licenses in Italy, Spain & France amongst others.

With global office locations, operator- and provider-licensed multiple products lines, merging technologies and multiple jurisdictions, Anna has experienced end-to-end the complexities of Compliance in the online gaming industry.

ABOUT SAI GLOBAL

At SAI Global, we make Intelligent Risk possible by helping organisations proactively manage risk to achieve business excellence, growth, sustainability and ultimately, create trust.

Our integrated risk management solutions are a combination of world-class tech platforms, services and advisory capabilities that operate across the entire lifecycle allowing businesses to focus on opportunities presented by uncertainty. Together, these tools and knowledge enable customers to develop a holistic, integrated view of risk.

In Australia, we are also a leading provider of settlement related services; company, personal and property information.

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