



# Antigua Leisure and Gaming Association

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# Antigua and Barbuda

*The Renaissance of the Gaming Industry*

# HISTORY

# Antigua - The Sector's Regulatory Pioneer

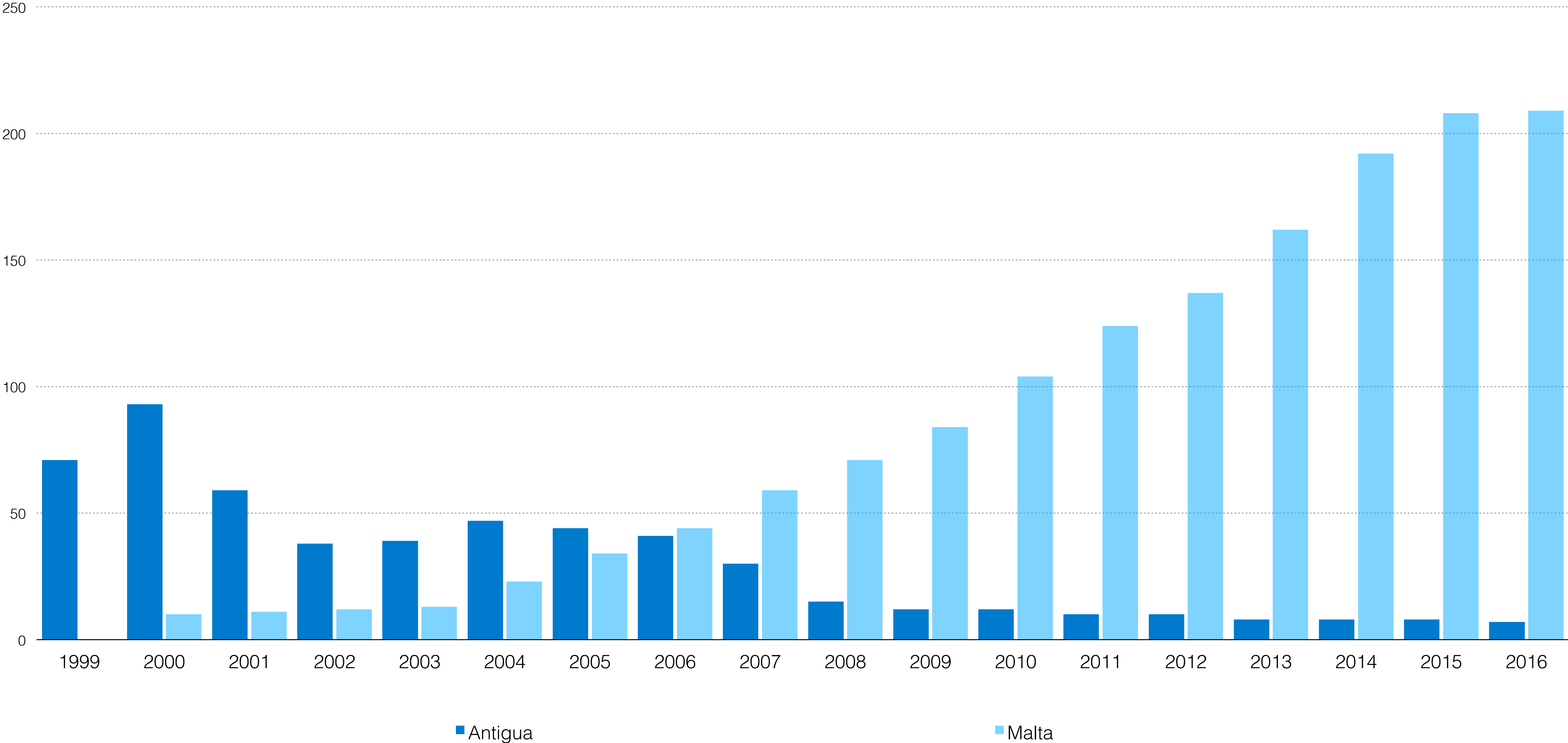
The remote gaming industry in Antigua was once a model of innovation, energy, and growth. The sector was young and **Antigua positioned itself early and well as a jurisdiction of choice**, where effective regulation and player protections were combined with a knowledgeable and innovative regulator to create an environment of player trust, operator transparency and opportunity.

Its **reputation as an effective regulatory environment was recognised internationally**. First, when Antigua's leadership and guidance was sought by other jurisdictions that were designing regulatory approaches of their own. And later when Antigua was granted the vaunted "white list" status by the UK, a designation denoting that the then-licensed Antiguan operators were entitled to market their services within the UK and access the UK market.

In the late 1990's and 2000's, **Antigua was the largest HQ and licensing jurisdiction in the world** for the remote gaming sector, at one point home to almost **two hundred licensees and thousands of direct and indirect jobs**.

# What Happened?

## TOTAL ACTIVE LICENSEES



# Antigua - The Decline

In October 2006, in a move that stunned the industry worldwide, **the United States passed the UIGEA**, legislation that effectively closed the US market to remote operators overnight. At the time, the USA was an immense market underpinning many operators' business models.

In one of the greatest David vs. Goliath industry victories in this history of the industry, Antigua challenged this treaty violation by the USA in the World Trade Organisation, as it had previously agreed explicitly to allow free international trade in such services under TRIPS. While Antigua was vindicated by the WTO at the hearing and later had its position re-affirmed following the the US's appeal in the WTO appellate body (though a much-diminished award), it was a Pyrrhic victory. By then, the damage to the sector had been done.

Unfortunately, **Antigua has not adapted**. Its approach to remote gaming and its value proposition as a jurisdiction to existing or potential licensees following the UIGEA did not change and, as a result, it now finds itself in competition for these global businesses with jurisdictions that have modernised and have developed more compelling arguments for licensure.

**Antigua has been passed by, the once-thriving industry now decimated.**

This, however, can change.

# The Path Back

The ALGA believes that Antigua is uniquely suited to enable and support this industry, due to regulatory expertise and operational history, including the existence in-country of applicable talent.

However, while resurrection of this industry within the country will derive numerous benefits to the government and the people of Antigua and Barbuda, but **it will not happen organically**.

This slide has been marked and continuous and the simple and quite brutal truth is that, while the potential of a resurgence is enormous, **a fundamental re-evaluation of the country's approach to the sector and its value-proposition to both existing and potential licensees will be needed**. Small, incremental changes will not be enough.

The remote gaming industry had enormous **growth potential in emerging and Asian markets**.

The ALGA recommends that Antigua embrace a new regulatory framework and establish international agreements (see later in presentation) that would position it as the **“licensing gateway to Asia and South America”**, a much-needed and enormously valuable option for many large international businesses, and a highly attractive set of markets for new industry entrants and start-ups.

# **OBJECTIVES & OUTCOMES**



# Core Policy Objectives

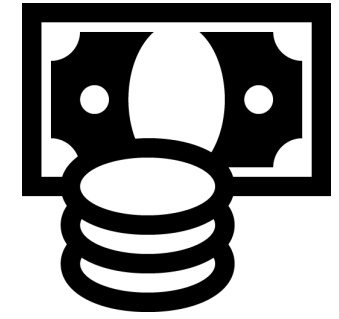
- **Revitalise** and then **massively expand** the remote gaming industry in Antigua

Ensure that **regulation is modernised** and is both pragmatic and **demonstrably effective**, designed to encourage and support innovation while preserving the core regulatory mandate.

Eliminate international political challenges associated with the perception of Antigua as a so-called “tax haven” by **introducing a competitive, transparent and fair corporate tax policy** for licensed operators, and which also incentivises the on-shoring of personnel and ancillary operations.

**Return Antigua to its previous status** as the most progressive, forward-thinking and respected jurisdiction in the world for remote gaming operators.

# Desired Outcomes



**GOVERNMENT REVENUE** in the form of new licensee application and operator fees, direct corporate taxation, and indirect taxation through income tax for employee base.



**JOB CREATION** as licensees are attracted to the country and establish licensee and BPO operations.



**ECONOMIC STIMULUS** as new capital is injected into the economy, investments in staff and infrastructure are made, ancillary service providers are engaged (legal, accounting, facilities, contracting, etc.), and general consumption of goods and services within the country are made by newly-employed personnel.

# **BARRIERS AND INCENTIVES**

# Three Targets

The resurrection of the once-thriving gaming industry within the country is conceptually straightforward. However, the online operators are highly mobile in nature and a very aggressive and competitive environment versus other jurisdictions cannot be ignored.

The government must architect a regulatory and commercial framework that provides prospects with competitive advantages beyond those offered by these other jurisdictions if it hopes to attract new licensees and new jobs to the country.

There are three categories of future licensees, each with its own requirements and opportunities:

**NEW (UNLICENSED) LICENSEES** - new licensee application and operator fees, direct corporate taxation, and indirect taxation through income tax for employee base.

**FOREIGN-LICENSED LICENSEES** - licensees are attracted to the country as primary or secondary licensing footprint, and incentivise to and establish operator and/or BPO operations.

**RETAIN AND GROW EXISTING LICENSEES** - to halt the outflow of existing licensees by working with the industry to ensure that these highly-mobile groups are justified in remaining in Antigua and are incensed to continue to invest and commit to the country through financial investment and employment.

# Barriers and Incentives

## A CLEAR-EYED VIEW OF ANTIGUA'S COMPETITIVE STRENGTHS AND WEAKNESSES

An honest discussion as to how to revitalise the remote gaming sector in the country must begin with an unvarnished assessment of current strengths and weaknesses.

Potential licensees and operators are among the most mobile organisations in the world. They are rooted in technology and are not reliant on significant physical plants or manufacturing facilities. As such, they can and do operate effectively almost anywhere in the world that can supply the political and economic stability, talent pools, and connectivity necessary to operate profitably.

Unless the challenges are faced head-on and addressed, there is zero incentive for such companies to relocate. Antigua must represent them something more valuable to them, something new or better than they enjoy in their existing licensing jurisdictions if there is to be any realistic opportunity of accelerating sector growth.

That said, this mobility also means that these operators can come to the island, and come quickly, if the environment is right.

Antigua has the expertise and talent pool that are necessary conditions of success. Furthermore, as a sovereign jurisdiction (as opposed to jurisdictions such as Kahnawake in Canada or Cagayan in the Philippines), Antigua can effect legislative change and rely on this superior status in ways that other jurisdictions cannot. Moreover, Antigua has expressed the political will to embrace the sector.



# Barriers and Incentives

## GENUINE SOCIO-POLITICAL SUPPORT

In many jurisdictions, governments had previously adopted a regulatory philosophy and stance that was inconsistent, even tortured. On one hand, a regulatory framework was created to presumably enable the industry, but on the other it was, in practice, treated as a “necessary evil” and with suspicion and mistrust. As a result, regulators conducted themselves exclusively as a “policing function”, with sanctions and audits often seemingly the apparent objective, with little regard or concern for the effectiveness of their oversight or the dilatory effect on the industry.

In contrast, several (now thriving) jurisdictions have strived to find the balance between the regulatory mandate [i.e. (a) ensuring that gambling is conducted fairly; (b) keeping crime out of gambling; and (c) protecting vulnerable people / children from being harmed or exploited by gambling] and the mandate of supporting and encouraging industry development and expansion.

In this more healthy model, the regulator acts as an overseer to ensure compliance, of course, but also as a partner that works in partnership with industry to develop effective and pragmatic best practices, with the goal not of “keeping the licensees in check”, but of actively supporting innovation and sector growth.

In short, a jurisdiction must truly want the industry to exist and grow, in both word and deed, not simply tolerate it.

# Barriers and Incentives

## EFFECTIVE REGULATION

Contrary to perceived sentiment, licensees welcome and encourage effective regulation.

Indeed, transparent and pragmatic regulation - particularly when combined with a commercially and technically expert regulator working in partnership with industry to support growth and help them be and stay compliant - can be a significant competitive advantage and one that can and will be an enormous attractant to new business.

Both the regulatory framework itself (transparent, fair, practical and effective vs commercially nonsensical or oblivious and overly-bureaucratic) and the approach of the regulatory body itself (adversarial vs collaborative) have the potential to be enormously powerful advantages for Antigua.

# Barriers and Incentives

## **SUPPORTING PROFESSIONAL SERVICES INFRASTRUCTURE**

Unlike many other jurisdictions, Antigua either does not have, or has not identified or accredited, any “turn key” corporate services groups with gaming legal, compliance, accounting and technical expertise.

Particularly for new entrants and startups (again, unlike, for example, Malta), start-ups cannot avail themselves of expert “one stop shops” for corporate matters, accounting and compliance, development of internal control systems, etc.

While perhaps viewed as outside of the government’s remit to concern themselves with such ancillary services, this represents both a significant barrier to new businesses launching, and an opportunity to accelerate and support growth if established.



# Barriers and Incentives

## TRANSPARENT AND FAIR TAXATION

Currently, gaming licensees within the jurisdiction pay (significant) license fees to the FSRC on an annual basis, but, due to their IBC status, they **do not currently pay corporate income tax** and are not subject to a bespoke gaming tariff.

While favourable and a potential advantage relative to other jurisdictions in attracting new or converting businesses, this status has become politically difficult to maintain. **The characterisation of Antigua and Barbuda as a so-called “tax haven” creates political dynamics that are unhelpful and which must be addressed.**

As such, Antigua has recently proposed for industry comment the introduction of a “gaming tax” of some kind, the original proposals taxing (oddly) revenue as opposed to profit.

The ALGA strongly believes that the policy objective of imposing **corporate tax on licensees can be accommodated** reasonably, particularly in light of a potential restructuring of the licensing framework and related fees. A normal tax on net profit, such as that which was recently instituted for International Banks in the country, is likely warranted, though great care must be taken to ensure that the system is designed equitably to (a) not materially increase the annual operating costs of existing licensees and jeopardise their flight to another jurisdiction; and (b) create incentives for operators not simply to hold their licenses in the country, but to relocate and/or hire personnel.

# Barriers and Incentives

## TECHNICAL INFRASTRUCTURE

At a recent industry presentation, the FSRC asserted the following: *“We do have hosting, communications and ISP infrastructure to provide state of the art facilities and services to the industry, both in Antigua and Barbuda and in associated approved locations.”*

With great respect, this is simply not so and to assert such a position without understanding the technical realities of an enterprise production environment will blind the government to the need to address this extremely significant barrier.

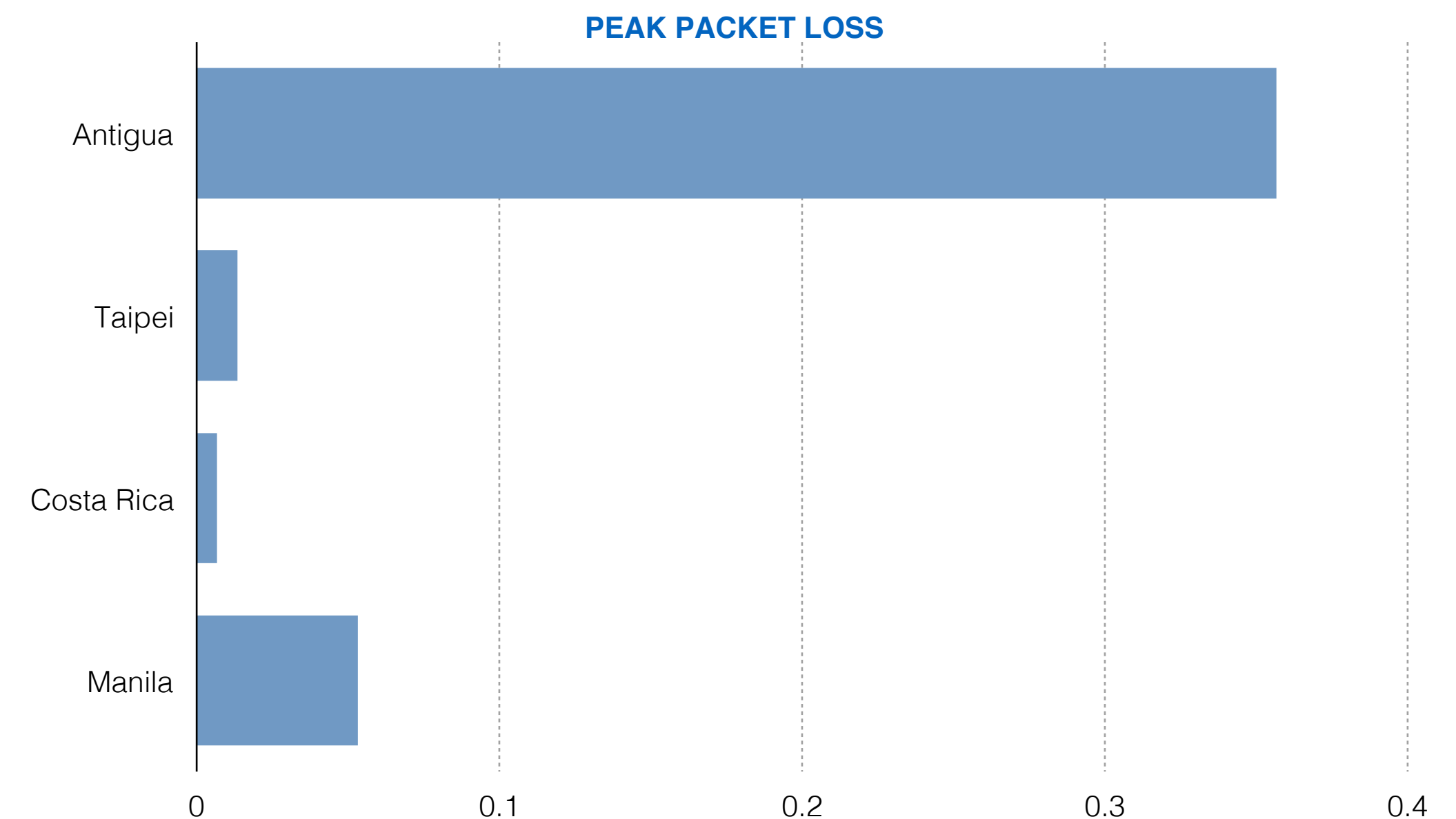
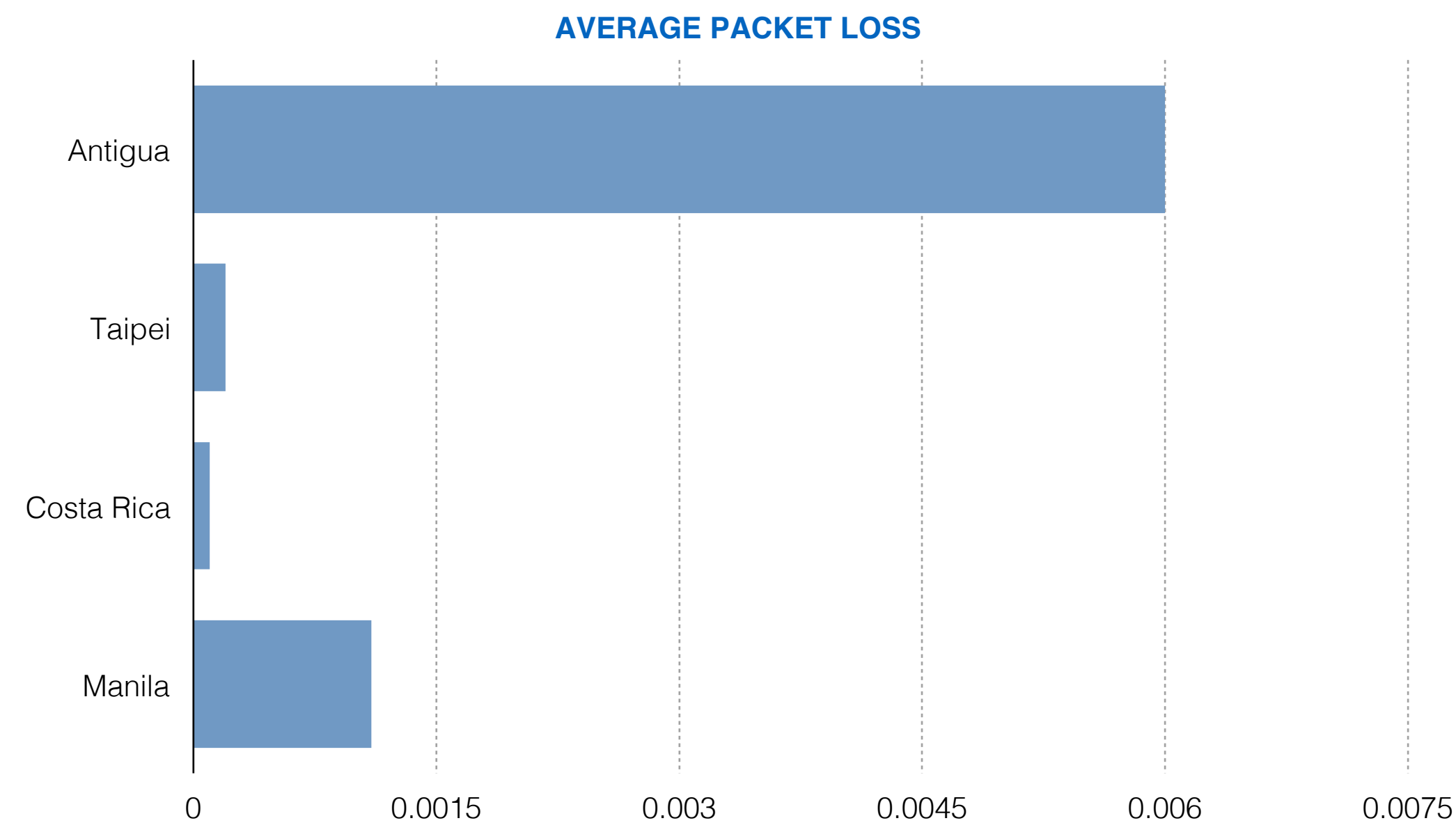
Connectivity, latency and stability to Antigua and from are **simply not suited to the task of a performant production infrastructure**.

By way of illustration, it must be understood that the technical suitability of the infrastructure must be understood in light of three things: (1) **latency** (the length of time it takes a data to be routed from one location to another); (2) **variance** (the more stable the latency speed, the better - latency speeds that go up and down are enormous performance and application stability killers); and, most importantly (3) **packet loss** (in effect, the percentage of data that is actually lost when sent to and from a jurisdiction).

# Barriers and Incentives

## TECHNICAL INFRASTRUCTURE (continued)

Antigua's **average packet loss is 10x to 60x higher** than other potential production centres. While the average packet loss alone is devastating, worse still is the maximum periodic packet loss. At its worst point (maximum loss) during the testing period **interactions with Antigua lost 36% of all data!** For enterprise website performance, *packet loss should be near zero*. Unfortunately, as much as we may wish it otherwise, Antigua is simply unsuitable for hosting production infrastructure at this time.

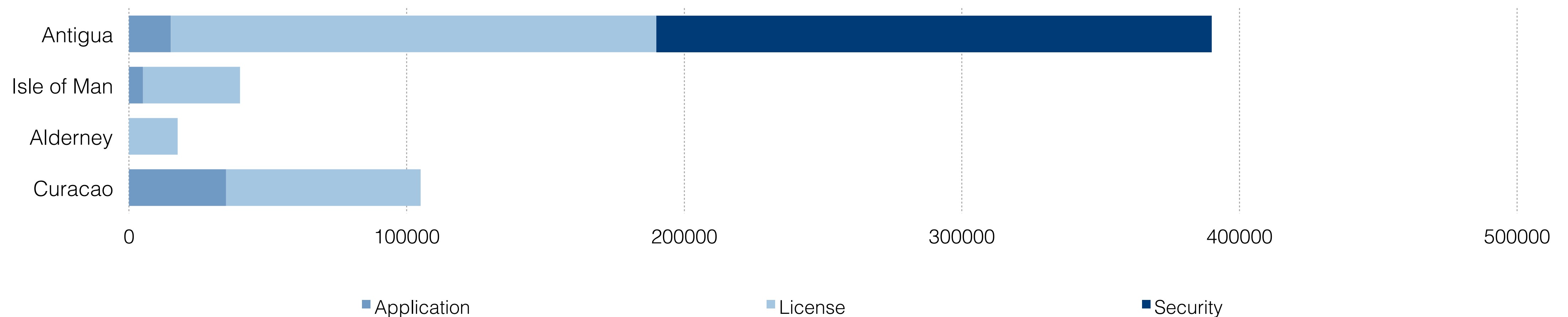


# Barriers and Incentives

## LICENSE FRAMEWORK, FEES AND RELATED COSTS

Lower license fees for individual licensed activities to eliminate the financial barriers to entry for new businesses and start-ups, attracting much-needed 'new blood' to the industry and to the country. License fees are not market-appropriate and deter new businesses.

The lack of a more granular licensing model has meant that the fees for those licensees that remain has remained very high. A new licensee that wished to start a casino/sportsbook **in Antigua would be facing US\$390,000 in fees and security deposits in its first year** (US\$15,000 application fees, US\$175,000 in license fees, plus depositing another US \$200,000 security with the FSRC); the same licensee would pay **£40,000 in the Isle of Man, £17,000 in Alderney, and US \$105,000 in Curacao.**



# Barriers and Incentives

## **BANKING AND PAYMENTS INFRASTRUCTURE**

Notwithstanding existing regulatory requirements to segregate player funds and the desire to have operational footprints in the country, securing operational banking for fully FSRC-licensed companies is, in every practical sense, impossible. Moreover, securing banking for Antiguan domiciled companies overseas has in recent months and years become extraordinarily difficult, with banks refusing to deal with “island companies”.

As such, attracting new business to the country will require some solution to the banking difficulties that routinely jeopardise matters as fundamental as insuring operators can pay suppliers and payroll.

There is an opportunity for international banks in the country to develop a strong gaming portfolio, including accounts management and payment processing, if the new government can support, endorse or mandate the enablement of its licensees. However, as mentioned above, this will require directed attention to solve.

Similarly, payments processing for Antiguan licensees has become extremely constrained in recent years, with many processors, e-wallets and banks refusing to contract with non-EU licensees.

**OPPORTUNITIES**



# Opportunities

1. Modernised Licensing Framework
2. New Taxation Model
3. International IT Comity Agreements
4. Positioning, Optics and Marketing
5. Corporate Services Infrastructure
6. Banking and Cryptocurrency Innovation

# Modernised Licensing Framework

Antigua's licensee fees are prohibitive to new entrants, stifling new business development or attraction of start-ups to the country, thereby driving new businesses to other jurisdictions. More granular and specific licenses with less onerous individual fees would increase the licensee base while removing a significant barrier to entry. Recommend revising the license regime to not only offer Wagering and Gaming operator license, to include:

- Operator license (single channel)
- Operator license (multi-channel)
- Platform provider license (B2B)
- “Skin” or “Shopfront” License
- Regulated BPO License
- (Possibly Registered Affiliate Master License)

In addition, application and license fees should be waived during the first year (to attract start-up operations, who will be incurring significant set-up and launch costs).



# New Taxation Model (Proposal)

The optics of Antigua being perceived as a “tax haven” for online operators is undesirable and creates challenges with international financial services arrangements. In combination with the new licensing framework, the ALGA proposes the implementation a corporate tax policy designed to generate **more tax revenue** to the government and simultaneously incent the **creation of more jobs**.

Create a tax framework that does **not** tax gross revenue or net revenue, but net profit, as per normal corporate taxation models. This framework will therefore not discourage new businesses who would otherwise be taxed, notwithstanding that they may be operating at a loss during the first months or years of operations.

A corporate tax of **3% on net profit** on licensed operations to align with the taxation level imposed on international banks in the *International Banking Act 2016*, with a minimum of US\$20,000 and a maximum capped at US\$500,000 per operator.

As noted, licensee taxation will be **subject to a minimum level and capped at a maximum figure**. Licensees would have the option of paying the cap, or submit audited financial statements demonstrating the financial performance of the business, and paying on the audited net profits.

In order to incentivise the on-shoring of employment from licensees, a tax credit will be created of an amount equal to US \$5,000 per full-time employee or contractor that has been full-time (30+ hours per week) for not less than 26 weeks (cumulative) during the prior tax year. A tax credit of US\$2,500 will be provided for part-time (between 5 and 30 hours per week) employee or contractor that has been continuously employed for not less than 26 weeks days during the prior tax year.

# International IT Comity Agreements

Antigua has inherent bandwidth and connectivity quality constraints. However, this need not be fatal - **it can become a powerful and immensely valuable advantage.**

Legal opinions should be developed as to the hosting location of production infrastructure. Then, diplomatic contact made with the trade representatives of Panama, Taipei and Iceland (examples only). Antigua should attempt to secure from these jurisdictions confirmation that (provided players from their countries are not able to access the licensee site(s)) location of the production infrastructure in data centres within their countries is legal and endorsed.

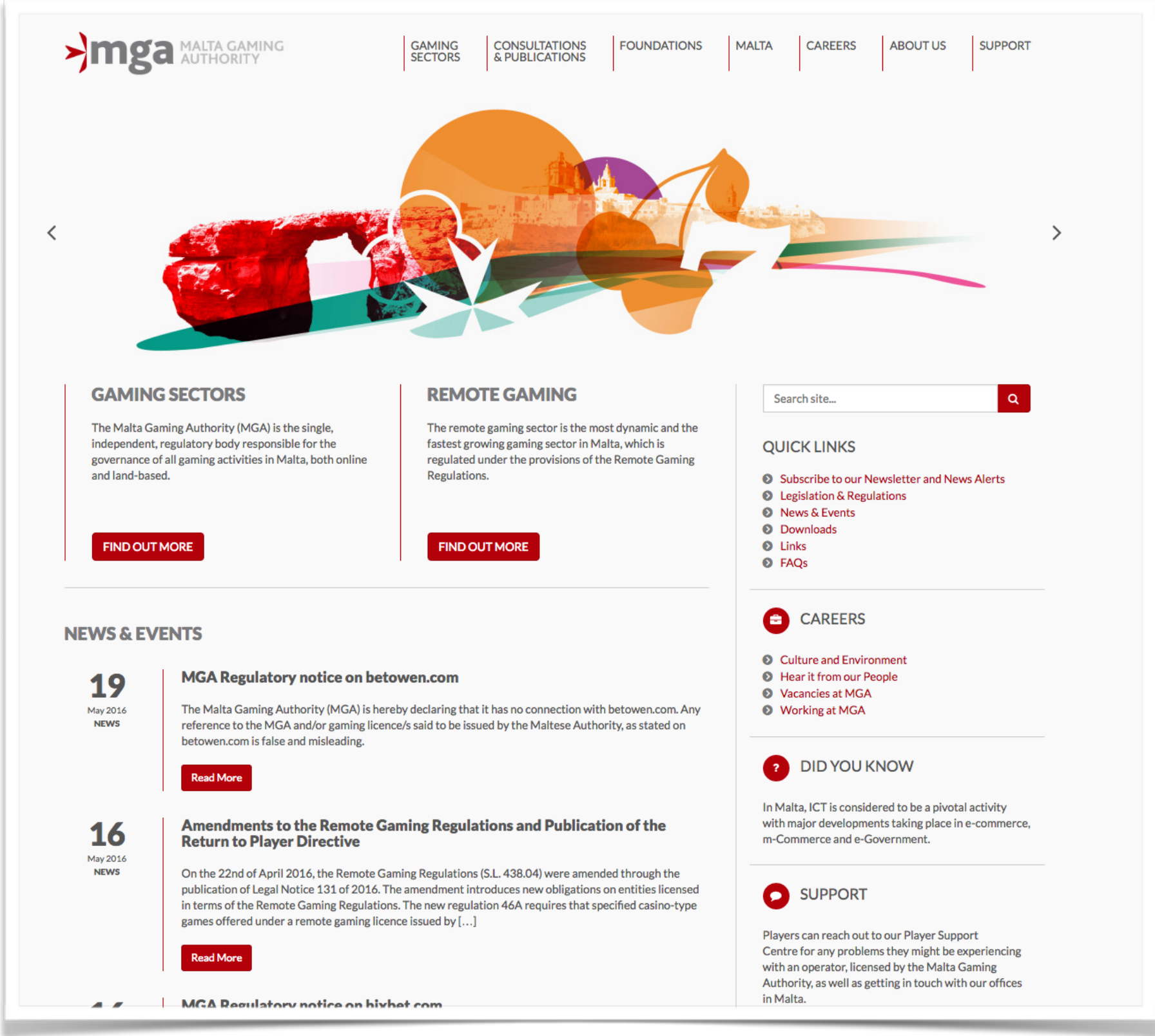
Similarly, legal opinions and subsequent confirmations should be secured with regard to the location of call centre services, marketing and operational BPOs.

With the **ICAs in place, Antigua becomes uniquely positioned in the market**, turning the technical constraint into an incredibly powerful and unique value proposition: licenses can secure their license within Antigua, put production infrastructure in the time zones where it is most efficient for their target markets, and engage third party BPOs with confidence.

**This is a powerful value proposition and would establish Antigua as the go-to jurisdiction for Asian-facing operations**, as there is no credible licensing option within Asia Pacific that allows for the efficient and sanctioned placement of production infrastructure within the region.

# Optics and Marketing

Underinvestment in the positioning and marketing of Antigua’s online gaming proposition by the previous government has badly eroded credibility and a failure to modernise the gaming regulatory framework has resulted in Antigua becoming increasingly marginalised in the last decade.



Malta



Antigua



# Optics and Marketing

Reposition Antigua as the “Gateway to Emerging Markets”, including South America and Asia. If the comity agreements are in place, this will be an incredibly persuasive and valuable proposition to potential licensees, and must be positioned and marketed expertly.

This must also be supported by strong online and offline presence and marketing PR Programme to position Antigua as the license of choice for Asian-facing and South America-facing operators.

Complete website overhaul required, to include:

- Secure licensee submissions functionality
- Secure player compliant submission process
- Industry key events
- Publication of all relevant policies

PR and Marketing Programme to SA and Asian markets, including PPC, digital re-marketing, and relevant conference attendance to market the rebirth of the industry

# Competitive Positioning (Potential)

- **“The Gateway to Emerging Markets”**. A strong, credible license from a jurisdiction with comity agreements in Central America and Asia for infrastructure hosting or BPO would be extraordinarily valuable.
- **Cryptocurrency Innovators**
  - BTC and similar distributed ledger technologies are already revolutionising many aspects of the banking, payment processing and audit industries.
  - By making a strong statement of intent that Antigua supports BTC as a transaction currency for licensees, this will send a powerful signal to the industry - and particularly start-up licensees - that Antigua is serious about innovation and taking the pressure off licensee payments challenges.
  - An early-mover advantage can attract licensees from jurisdictions that are dithering and creating operational uncertainty.

# “Turnkey” Corporate Services Infrastructure

Creation or endorsement of an accredited corporate services group, a critical element to reducing the barrier to entry or barrier to transfer of new operators. Such services are available in virtually all competitive jurisdictions and can provide a “one stop shop” for:

- License application preparation
- Corporate set-up and records maintenance
- Banking application set-up
- Key Person provisioning, as needed
- ICS and policy development and audit
- Regulator liaison
- Random Number Generator (RNG) certification services
- Virtual office services
- Audit and legal support / consulting

# Banking and Payments

- Issue policy statement authorising licensees to accept BTC as deposits, withdrawals, and as a means of retaining segregated player deposits (see below)
- Enable, support or mandate operational banking for licensees. Current regulations require full accounting and segregation of player balances. However, notwithstanding that a licensee is subject to intense regulatory oversight by the FSRC, securing banking for licensees in Antigua has, historically, been impossible.
- Create or enable a payments services provided (PSP) (or through a local bank) to enable BTC and other payment processing (card acquiring, wire transfers, etc.) for authorised licensees.

# Cryptocurrency Leadership - The Opportunity

Under existing regulations, due diligence and KYC checks are performed when the customer is onboard by a licensee. At the time of withdrawal from a player account, the regulations mandate additional identification verification.

The FSRC has proposed for feedback additional procedures for customers wishing to deposit via Bitcoin, namely that instead of waiting for a withdrawal in order to request additional identification (per regulations for all other payment methods), that this identification is required if deposits via Bitcoin reach US\$500, regardless of whether withdrawal requests are initiated.

The justification for this additional operational overhead and compliance is that this is (supplementary ID checks) to be done “before the risk is too great”.

The ALGA disagrees with this approach.



# Cryptocurrency Leadership - The Opportunity

With respect, there is no incremental “risk” for Bitcoin deposits beyond those that exist for all payment processing methods. Indeed, from the risk of fraudulent chargeback is eliminated, as the deposits are irreversible on the blockchain once confirmed. **Not only do Bitcoin deposits not represent incremental risk in this context, it is, in fact, significantly less risky than any other payment method as the risk of bad debt or fraud is eliminated.**

Nor are AML/CTF risks exacerbated. Even if one accepts that a deposit can be “anonymous” - which is both operationally and technical not the case - **AML risks are not magnified as the total aggregate amount of the deposits increases.** If a player loses funds deposited via Bitcoin during play, it is manifestly obvious that there is no incremental money laundering risk if they continue to deposit. Moreover, even if the player maintains a large balance on deposit with a licensee, there can be no “transmission” of these deposits and/or winnings until withdrawal occurs and so the enhanced diligence and identification requirements that already exist are already in place and sufficient.

It is submitted that the existing regulations - that any enhanced due diligence be effected at the time of a payout request is made - is ample and appropriate and that the characteristics of this payment method does not justify the operational, technical and user experience costs that such an arbitrary distinction would entail.

# Regulatory Approaches - Some Context

Central banks, regulators and industry associations have been assessing the development of distributor ledger (blockchain) technologies, including Bitcoin for some time. Indeed, gaming regulators have been asked to assess this new technology in light of licensee demand and the potential consumer benefits and security.

The UK Gambling Commission in particular undertook a considerable industry consultation process. The result of that consultation was that the UKGC elected to allow the acceptance of cryptocurrency payment methods by its licensees pursuant to its existing AML/KYC and operational requirements, provided that the licensee's first undertook and internal risk assessment to identify any operational, technical or compliance risks. This has now been reflected in UK law.

The Gibraltar Gambling Supervision Commission has also undertaken industry consultation and reached the same conclusion - that cryptocurrencies should be enabled for licensees and that the existing regulatory requirements relating to other approved payment methods are sufficient and no additional requirements are justified or required. The amendments giving effect to this change are approved and are pending passage imminently.

the European Securities and Markets Authority (ESMA) has announced - No specific European Union rules are needed to regulate blockchain for the time being given the sector's still limited reach

The Philippines has recently legitimized Bitcoin as a payment method. Phillipines Central Bank – is to be involved in endorsing regulatory framework.

What is likely the world's first dedicated Bitcoin bank has opened in the heart of the Austrian [Capital Vienna](#) Vienna. Named simply 'Bitcoin-Bank,' the dedicated physical outlet is owned and managed by a local Blockchain startup [Bit Trust](#).

**Many** governments have, in an effort to encourage and support the development of this technology and the consumer benefits that it entails have explicitly considered whether new regulatory frameworks are warranted. In virtually every case, governments have concluded either that existing regulatory frameworks (money services business regulation, etc.), if applicable, or that a "light touch" or "hands off" approach was considered prudent to foster innovation in the stagnant financial services space while the potential for distributed ledger technology evolved. In Canada, for example, the Senate Committee on Banking, Trade and Commerce recommended that Canadian digital currency exchanges be subject to money transmission regulations, but that companies that solely offer wallet services in Canada should not fall under that classification.

“The ... government [should] ... create an environment that fosters innovation for digital currencies and their associated technologies. As such, **the government should exercise a regulatory “light touch” that minimizes actions that might stifle the development of these new technologies.**”

– **Canadian Standing Senate Committee on Banking, Trade and Commerce**

June 2015

**“There is little evidence of digital currencies being used for money laundering / terrorist financing.**

...

**We view digital currencies under the Gambling Act 2005 as ‘money or money’s worth’”**

**– UK Gambling Commission**  
September 2015



“As with any new tech, we are at an early stage. So **what we advocate is not to stifle innovation by regulating too early**”

– *Jonathan Hill*

Finance Commissioner, **European Parliament**

May 2016

“The Reserve Bank of Australia (RBA) **will not intervene in oversight of digital currencies such as bitcoin** at the moment ... the limited use of the currency had **no discernible impact on competition or risk to the financial system** and ... digital currencies represent a potentially important development.”

– **Reserve Bank of Australia** (to Australian Senate)  
April 2015

“It is the **policy of the GSC that an operator be allowed to accept convertible virtual currencies (CVCs)**, subject to regulatory safeguards on the protection of value and the security of the way value is stored”

*– Mark Rutherford*

Deputy Chief Executive, **Gibraltar Gambling Supervision Commission**

April 2016



# Cryptocurrencies - The Solution, Not A Problem

The FSRC itself acknowledges that the constraints and costs of the historical payment systems represents an “inherent risk”. As such, it is the recommendation of the ALGA that the government embrace this emerging technology as a means to mitigate this risk. Bitcoin and cryptocurrencies represent a risk mitigation and management opportunity that the FSRC and the industry should be embracing wholeheartedly.

It the words of the FSRC: “*...it remains difficult to secure third party processors as well as local banking relationships that can provide both the processing power and banking opportunities for gaming transactions, hence operators usually have multiple processors and multiple banking relations which increases the risk of bad debt*”.

**The AGLA wholeheartedly agrees.** These inherent risks and costs **do not exist for Bitcoin transactions on the blockchain.**

As non-reversible transactions, deposits made via the distributed ledger are non-reversible and non-intermediated, meaning that operator profitability is enhanced through the elimination of third party fees and processing costs, and the risk of bad debt is effectively eliminated.

# Cryptocurrency Policy Statement (Proposed)

The ALGA recommends that the government adopt the approach of the UK Gambling Commission, which, following exhaustive industry and technical consultation, has resolved as follows:

- **BTC transactions are to be considered as any other approved payment method**, and subject to all KYC and AML/ due diligence requirements under the existing Internal Control Systems
- Mandate that **operators conduct and document a risk assessment prior to the implementation** of this payment method to identify any operational or technical risks introduced associated with the integration and to reflect any mitigation strategies in the operator Internal Control System
- **Do not impose additional and ineffective limits or enhanced diligence deposit triggers** beyond those already required for other approved payment methods

The ALGA respectfully submits that not only should the adoption of this payment method be permissible by operators, the government should encourage and support its adoption. As noted by the FSRC, the costs and operational risks associated with traditional payment systems have squeezed licensee margins, introduce operational instability and costs and magnify bad debt risk. The adoption of irreversible, auditable, non-intermediated Bitcoin payments enables operators to improve profitability by eliminating third party payment processing fees, improve compliance and auditability, reduce operational costs associated with management of credit card and chargeback fraud associated with traditional methods, and streamline payments operations.

# RECOMMENDATIONS

# Recommendations

1. Initiate a working group to engage with ALGA and the remote gaming industry regarding the creation of new license categories, with a view to having a proposal finalised by July 1, 2017
2. Identify target partner jurisdictions for the international comity agreements and develop template legal opinion briefs. Develop a working group in partnership with industry to prepare a project plan to initiate international negotiations at a commercial or diplomatic level.
3. Initiate working group to engage with industry and other agencies regarding the redesign of a corporate taxation model
4. Develop and issue policy statement regarding BTC transactions for remote licensees per the foregoing
5. Initiate discussions with local law firms, accountancies, technology and compliance groups regarding the creation of an approved corporate services group or groups within the country.
6. Issue an request for proposals (RFP) for the specification, scoping and development of a new Gambling Authority web presence.