



**STANDING COMMITTEE  
OF  
TYNWALD COURT  
OFFICIAL REPORT**

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BING VEAYN TINVAAL**

**PROCEEDINGS  
DAALTYN**

**ECONOMIC  
POLICY REVIEW COMMITTEE**

**Gambling Supervision Commission**

**HANSARD**

**Douglas, Friday, 25th February 2022**

**PP2022/0030**

**EPRC-GSC No. 1/21-22**

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**Members Present:**

*Chair:* Mrs C S B Christian MHK  
Mr J R Moorhouse MHK  
Mr J C Wannenburgh MHK

*Clerk:*

Mr J D C King

*Assistant Clerk:*

Mr C E Phillips

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# Standing Committee of Tynwald on Economic Policy Review

## Gambling Supervision Commission

*The Committee sat in public at 2.31 p.m.  
in the Legislative Council Chamber,  
Legislative Buildings, Douglas*

[MRS CHRISTIAN *in the Chair*]

### Procedural

**The Chair (Mrs Christian):** Good afternoon and welcome to this public meeting of the Economic Policy Review Committee. I am Claire Christian MHK, Member for Douglas South, and I Chair the Committee. With me are Mr John Wannenburg MHK and Mr Jason Moorhouse MHK.

5 Could we please ensure that all our mobile phones are turned off or on silent, we do not want any interruptions; and for the purposes of *Hansard* I will be ensuring that we do not have two people speaking at once.

Thank you for coming to talk to the Committee today.

### EVIDENCE OF Mr Jon Allen, Chairman and Mr Steve Brennan, Chief Executive, Gambling Supervision Commission

**Q1. The Chair:** To begin, for the benefit of *Hansard* and anyone listening, could you please introduce yourself, your position and how long you have held the role?

10 Thank you. Mr Brennan?

**Mr Brennan:** I am Steve Brennan. I have been the Chief Executive of the Gambling Supervision Commission for 14 years, this month.

15 **The Chair:** Congratulations!

**Mr Brennan:** Thank you very much.

**Q2. The Chair:** Mr Allen?

20 **Mr Allen:** Jon Allen, I am Chairman of the Gambling Supervision Commission. I started in 2010, so I have been there a while; and the Chair since 2020.

25 **Q3. The Chair:** Thank you. I believe you have prepared an opening statement, if you would like to give that now, please.

**Mr Allen:** Yes. So, as I have just said, to give you a bit of background on myself – I think it is always good to know the people – I am a chartered accountant and local businessman. I am the founder of PDMS, the software company you may be aware of; and also Domicilium, the computer-hosting business which you may also be aware of.

30 I am interested in FinTech, medical technology and hospitality, so I have got a pretty busy spectrum. As I say, I have been a board member since 2010 and I will be finishing up in 2025.

So just a bit about the GSC for those who are not totally familiar, I will provide you a quick overview of the structure of the GSC. The GSC is an independent statutory board made up of the executive, headed by Steve sitting here, and 27 staff now managing all aspects of the regulatory framework. Aside from the executive, there is an independent board of commissioners comprising 35 six members from various walks of life, appointed by Treasury. Each board member offers different skills, knowledge and expertise and they complement each other, so that we bring rigour to the board decision-making process.

On our current board, we have an advocate, we have an IT specialist – which is not me, 40 although you may have thought so from my background – a former audit executive from a major gambling company, and a very experienced compliance consultant. You will probably also have seen at the February Tynwald that a new commissioner was appointed, replacing a retiring commissioner who has just left us; and given the GSC’s remit, which has recently expanded to include the licensing and regulation of medicinal cannabis and hemp, Treasury’s recruitment 45 process for the new commissioner included a requirement for underlying knowledge of that sector. So we look forward to him joining, we believe not this this month but next month –

**Mr Brennan:** April’s board meeting.

50 **Mr Allen:** Of course taking on the regulation and supervision of a new sector, such as we did with medicinal cannabis, presented many challenges, much learning and liaison with a wide and diverse range of stakeholders, both on and off the Island. During this process the GSC was helped and supported by officers of Treasury, the Department for Enterprise and the Cabinet Office, as well as the Department of Health and Social Care.

55 As well as a key strategic initiative for the Island, the development of the regulatory framework for this sector has been a major GSC key initiative for the past 12 months, and it remains a pretty significant focus of us going forward, as I am sure you are aware. Steve will talk a bit more about the sector when he comes and does his notes, in a second.

So whilst I thought you might like a flavour of how we work – Jason, I think you have been to 60 see us – during the course of the hearing we will discuss much of what we do as a regulator, about the types of operators we license, statistics and sectors we oversee, corporate social responsibility and fair terms and practices.

What I would like to just mention now is a little bit of context as to the GSC’s approach to 65 executing its role as a regulator. As a regulatory authority we recognise we do not always have all the answers. To develop our understanding, we ensure our knowledge is as up to date as it can be, but we also actively engage with our licence holders, sector advisers, other Government bodies and fellow regulators. We are very proud that we are open, and we offer an open-door policy to licence holders and others to encourage them to come in and see us and talk to us; and to discuss with us any material challenges that they may experience as a licensed business 70 operating in the Isle of Man.

We do this primarily for two reasons: any issues or challenges that the licence holder may face are brought to our attention at an early stage, and we like to be pre-warned rather than have to react. I think most people would like to be in that position. The gambling world also, as I am sure you are aware, and particularly the online gambling world, is very innovative. It is constantly 75 changing and we need to engage with the sector through our open approach to ensure that, to some extent, we keep abreast of everything that is going on and to understand the direction in

which the industry is going. With further engagement and dialogue, the GSC can understand potential risks and make more informed decisions and measured mitigations.

80 In addition to being open and approachable, the GSC is an active participant in the gambling sector's private public sector body, the eGaming Strategic Advisory Board. We meet regularly and make ourselves available for questions and discussions and generally work as cohesively as possible with key stakeholders, including the licence holders' trade body, the association sector advisers and other Government Departments. Beyond this, we can and do call on regulatory colleagues abroad and – pandemics permitting – we attend regular conferences to get a better  
85 understanding of best practice and knowledge throughout the world.

We find engaging yields the GSC the following benefits: it builds trust with our stakeholders; it brings balance to our decision making; and it ensures focus and efficiency in what we do.

90 So in the last 12 months – COVID permitting – we have been particularly challenged with the development of the additional responsibilities brought on by the cannabis sector, and all the work needed to create the right regulatory framework and environment for such a business to sit safely within the Island; which, set against the backdrop of the global pandemic, has been quite a challenge. I think we have come out the other side, pretty much, now.

95 We have also restructured the inspectors. We used to have a generalist approach, so everybody did a bit of everything. Now we have concentrated it into specialist teams in key areas. So we have key areas in licence applications, general supervision, inspections and now the new sector, medical cannabis. This has helped to focus knowledge and aid inspector training and development.

100 Despite the challenges, the Isle of Man remains a very attractive place to do business and the GSC licence remains trusted and valued throughout the world. Our licence base continues to grow – and we will cover more detail when Steve talks about statistics and things – but I am pleased to say that Treasury has supported us as our body of licence holders has grown, and our staff numbers have matched the surge in gambling licences. Along with the increased number of inspectors, we have recently acquired additional office space, which is very necessary.

105 In any introduction it is important we also mention consumer protection, which is obviously a key area in relation to gambling supervision. It is one of our core regulatory objectives, to ensure consumer protection. As the gambling sector develops globally, so do the standards and requirements to ensure the protection of the players for whom gambling has become a problem. The GSC has a number of controls and tools in place to facilitate a safer environment, and is looking to build on these through its learning from regulatory colleagues and its involvement with  
110 the Island's fledgling Safer Gambling Coalition (SGC), which Steve will mention later.

Our sector continues to provide support to gambling charities, both at home and abroad, and the GSC continues to work with and support the Island's local addiction services. Although the pandemic has disrupted some of the plans we had, we are helping the new head of fundraising understand the sector and get to know the people in it. Again, this is a topic I am sure we can  
115 cover in more detail during the course of the hearing.

That is the end of my prepared statement. (**The Chair:** Thank you.) I would like to pass over to Steve and we will cover his topics and we look forward to questions.

**Q4. The Chair:** Thank you for that in-depth insight.

120 Mr Brennan.

**Mr Brennan:** So over to you, really, in the first instance, how you would like me to go through the topics that may be interesting – ?

125 **The Chair:** We will ask a question specifically on the topic, but if there was anything that you wanted to do, obviously just as a small prepared statement, we wanted to give you that opportunity. But we will drill down, obviously, in the questions.

**Mr Brennan:** I think we have probably covered everything in Jon's statement. I will be able to touch on some of the other things I would like to say as you ask the questions.

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**Q5. The Chair:** Let's move on then. Fantastic.

As a first question, at the last evidence session you attended all the way back in April 2019, you stated: 'Operators are taking as many licences as they can, to give them access to differing markets.' Is this still happening?

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**Mr Brennan:** Yes, very much so. What we are seeing with our licence base at the moment is an expansion in the number of licensees that have come through the GSC in these last 12 months. We have seen 20 new licence applications approved by the board over the reporting period.

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We offer four different types of licences, and primarily the two main licences that are taken are the standard licence, which allows an operator to offer its services to clients. We would call that the 'business-to-customer' licence. Then there are software licences, where operators who develop or businesses that create gambling software have a licence to sell that software to operators. We have had eight of those software licences come through to us as well.

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To your point about taking multiple licences, yes, that is what we do see. So our operators will have licences in other jurisdictions – they may have a licence in Malta, Alderney, UK and various other jurisdictions. But we are seeing start-ups still coming to the jurisdiction as well. So they are not all existing licence-holding businesses, we are seeing new business come to us.

**Q6. The Chair:** Thank you.

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How do you balance high regulatory standards, whilst remaining competitive with other jurisdictions?

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**Mr Brennan:** We do not look in terms of competition with other jurisdictions. The standards that we apply are the standards that are, as the Chairman mentioned, around the areas of consumer protection and obviously AML-CFT and the likes. We look around the world at other jurisdictions and it really places the point that we have just talked about, which is that they take multiple licences. So are we in competition with them, or do we offer something that is valuable to them for the particular market that they might be wanting to go into?

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In terms of competition, it is not something that we would consider as a regulatory authority. That said, we do recognise our fees are in keeping generally with the fees of other jurisdictions. When I talk about fees, I am talking about really the cost of doing business on the Island, so that will be the licence fee, that will be the duty, that will be any taxation matters. So we generally remain – for jurisdictions which offer similar types of licences to the Isle of Man – around the same.

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**Q7. The Chair:** Around the same?

Thank you.

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**Mr Allen:** I would just like to say, other jurisdictions are probably more concerned about competing with us. We are definitely seen as first division. But the number of times we get new licence applicants, we always ask them, 'Why are you choosing the Isle of Man?' And they say 'Well, it is the leading jurisdiction' – or, one of the leading jurisdictions. So they want to be here and it gives them enormous kudos to be here.

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**Q8. The Chair:** Thank you. Again, at your previous evidence session, in April 2019, you mentioned African licences were emerging despite infrastructure challenges. Has this trend continued as well?

**Mr Brennan:** I am sorry I did not catch the –

**The Chair:** African licences.

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**Mr Brennan:** African licences?

**Q9. The Clerk:** I think you were talking about companies based in Africa applying for licences here.

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**Mr Brennan:** Oh, sorry, interest coming from African business, yes.

That has not really been something that we have seen continue. A lot of the interest that we are getting at the moment is coming from other jurisdictions –

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**Q10. The Chair:** Can you elaborate where?

**Mr Brennan:** Curacao, in particular; Malta, in particular.

There are changes happening in different jurisdictions that may be due to political changes, they may be taxation changes, they may be a whole raft of different things, and some businesses are then looking around to say, 'Where would be a better fit for my business, given the changes that are occurring in those other jurisdictions?'

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**The Chair:** Thank you.

Jason, do you have any questions?

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**Q11. Mr Moorhouse:** Yes, just in terms of the charges, are companies incredibly reflective of what is happening, and if we were to increase our charges would we see a massive reduction in companies here, because they are so fluid?

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**Mr Allen:** It depends on the extent, I think.

**Mr Brennan:** Yes, I think so, it does really depend on the extent.

Personally, I do not think – for some of these businesses, with the turnover that they are making, with the funding that they have got – that the cost of a licence is a key consideration when they are looking to locate their business. A key consideration is around the reputation of the jurisdiction, presumably, taxation within the jurisdiction, but also the infrastructure that the jurisdiction can offer.

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I am not just talking about the physical infrastructure – the Island has got a really good physical infrastructure – I am talking about all of that periphery business that will enable a gambling business to land on the Island and then be able to get all of that support that it needs in order to be able to be successful on the Island. So that might be the resources of very good legal advice, it might be about payment service providers, it could be banking. There is a whole raft of different things that help them to bring business to the Island.

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Of course, on top of all of that, we have got a very proactive Department for Enterprise, which has got a Digital Agency. The Digital Agency obviously is very keen on inward investment and new business coming towards the Island as well. So that is a real asset to drive a new business towards us.

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**Q12. Mr Moorhouse:** You mentioned banking. Banking and this sector do not always go well together. Have we got it right at the moment on the Island, or is it still an area we could improve?

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**Mr Brennan:** Our operators are able to get banking, but I would say it is not the easiest aspect of the business when they are trying to start up on the Island.

So banking – and I do not think it is a secret – I think banking is quite difficult to get hold of for our businesses, but there are banks that are receptive to gambling business. They may not

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necessarily be located on the Island, but they are within the Basel II jurisdiction and that is acceptable to the GSC for that. So banking is difficult, but it is out there.

235 **Q13. The Chair:** What are the challenges and barriers from the banking industry for these clients?

**Mr Brennan:** I cannot really speak for the banking industry, although what I do know is there is a perceived risk around the gambling world, like there are for other sectors, and I think it is really down to the banking risk appetite for those banks. Some banks have made it really quite clear that gambling is not going to be something that they would entertain; other banks have stepped in with caution; and other banks are a little bit more available.

245 **Q14. The Chair:** Mr Allen, you spoke about us being a first division leading jurisdiction. How do you measure that?

**Mr Allen:** Really from feedback from applicants.

Going to Jason's point earlier on about the value, the charges, I think every business is looking to go up the value chain, so everybody is looking to get to the better-quality applicants and keeping prices ... But all businesses want us to compete on price and bring it down because nobody likes paying the fees, right? But keeping them high maintains the standard and I think that feeds through. So they know we are extremely well regulated here – and you are going to get a lot of scrutiny, so do not come to us if you have got anything to hide, because we are not interested. You will get a fair hearing, but you will pay a fair amount for your licence. And it feeds itself.

255 We are aware on the Island that a number of the CSP industry people will handle licences in a number of jurisdictions, and they know which ones can come here, and they are the top ones and not the ones who are looking for just somewhere to start a cheap and dirty sort of thing.

**Mr Brennan:** I think if I could just add to that. Anecdotally, at the Commission meetings when we are going through that licensing process with the licence applicant and their licence advisers – and there are some very good advisers on the Island who are bringing that new business towards us – they are often talking about part of the rationale for obtaining their Isle of Man licence is to obtain the services that they require in order then to operate. So some payment service providers will be seeking to have a relationship with an operator, if that operator is licensed in a particular standard of the jurisdiction; and what we are seeing is that some of those operators, some of those payment service providers are saying, 'You will need to obtain an Isle of Man licence in order to secure *our* services.'

270 We have seen the same with some of the big software developers – and there are some *huge* businesses that develop software for global clients – and if a small business goes to that global software house and asks to be able to resell their products, they will only allow that to happen if it has got our licence. We are being told this by the advisers that are in this space, and we are seeing that because of the applications that we see coming towards us.

This comes to a point which I was going to talk about later, when we get on to the statistics: the number of software supply licences that we have started to see coming through to us. That is a fairly new licence, probably about three years old; and out of our client base of 70 licences, we have got 27 of those which are for software, *only* in three years – and we have been operating online gambling licences for 20-plus years now. So it has become a very popular licence.

280 **Mr Allen:** And that really is, as Steve mentioned, because in the sector as a whole, the big software providers are *huge* organisations and they are always looking to go further up the value chain, with a set quality chain. So they are saying, 'Come to the Isle of Man.'



**Q15. The Chair:** The way that I would measure it would be to ask about your market share. *(Interjection by Mr Allen)* So can you elaborate a little bit more about your market share in terms of that? If you are telling me you have 70 licences – was it 70? *(Mr Brennan: 70.)* And if 27 of them are software, what is the market share of that? Do you know?

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**Mr Brennan:** That is not a metric that a regulator would measure *in*, market share is really more of a measure of the profit value that the organisations have. So in terms of licence numbers, 70 is a large number, it is the most we have ever had. In the 14 years I have been there, and the six years before that, we have never had that number of licences.

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To be able to compare how many we have got compared to other jurisdictions, it is really quite difficult, because other jurisdictions have a very different model for how they license. For example, one jurisdiction, Malta in particular, issues a licence for a different type of product vertical, which we will just put on to one licence – they will have 10 licences for that. So they may be running at 400-500 licences, but have they got more of a reach, more of a market? It is a difficult one for us to measure and it is not really something as a regulatory authority that we would be having interest in, if I am going to be perfectly candid.

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**Q16. The Chair:** Are you looking at doing a review in terms of the licensing, or is that something that is at a standard you are happy with at the moment?

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**Mr Brennan:** Yes, in terms of the licence types that we give out, we did a review four years ago – which is where the software licence came from. We are constantly looking at what other jurisdictions are doing in terms of the licence types. We have not seen anything that has piqued our interest enough at this stage to consider that, actually, there may be something there.

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Again, really, this is where the Department for Enterprise comes in, because it is for the Department for Enterprise to look at the business opportunity, if that licence came, rather than that the regulator would look for that business opportunity. So we work very closely with the Department for Enterprise and we will be cognisant of what they find and what they recommend, and then we will be able to talk that through to see if that is something that is a good inward investment opportunity for the Isle of Man – what are the safeguards that need to be put around that? That is when we would get involved.

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**The Chair:** Thank you.

Mr Wannenburg, do you have any questions?

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**Q17. Mr Wannenburg:** Yes. You mentioned, I think, that you have got 20 new licences over the last reporting term? *(Mr Brennan: Yes.)* Is it just a matter of you waiting for them to apply to you, or do you go out and look for new licences?

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**Mr Brennan:** This really is to the point I was just talking about, about the Department for Enterprise. So if I give you an overview of how this sector hangs together on the Island ...

The Department for Enterprise has got a role to try to bring new business in and to support business that is already here in different areas, and the Digital Agency is the agency that looks after the gambling sector. They have got a number of people within the Digital Agency who are the focal point for new business coming to the Island, and so they are the ones that will deal with those first initial enquiries: 'This is what we are looking to do. This is how we are looking to do it.' The Department for Enterprise will be able to say, 'How will we be able to support you?'

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They are really our first touch with the operator as well, because the Department for Enterprise will say, actually, that business is never going to fit, that is not the type of business that we could take; or, we have not got a licence for that type of business, and the like. Coupled with the Department for Enterprise – and Jon mentioned it earlier – there is an eGaming Strategic Advisory

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Board, and on that there are an awful lot of advisers in the sector who are looking for development opportunities.

335 So, in the corporate service world, for example, there are a couple of rather large corporate service providers and some of their target business is online gambling business. So they will attend conferences, they will arrange meetings, they will talk to businesses that may be located elsewhere. They will get interest from start-up companies who are saying, 'I need to get my business up and running.' They may be the first point of contact for the client as well. So they will either come through the corporate service provider or they will contact the Department.

340 If they come to us first, we usually push them back to the Department for Enterprise, because I do not know what grants and support and help is available to them. That is the Department, they can do that marketing. Once the application has been fully formed – and that has either been done by the company itself, or with the assistance of one of the local advisers – then we will start that conversation with them before that application comes in, just to ensure that everything that is required within that application is correct and it is complete. Then the formal application will come in and our formal relationship starts at that point.

345 So as part of marketing, that is not what we do, but we will pick it up as it gets to a point of ready to be handed over, if that explains it better?

350 **Mr Wannenburgh:** Yes.

**Mr Brennan:** Yes, okay.

355 **Q18. Mr Wannenburgh:** Thank you. Typically, what is the longevity of a licence?

**Mr Brennan:** That is a good question.

**Mr Allen:** It depends how good the business probably is, to be honest!

360 **Mr Brennan:** Yes. I will talk a little bit about the types of business we get, because that type depends on how long they are here.

The application process, I can tell you what that is. So from the point that we have accepted the application: it has come in to us, we have had a first look over it and we say it looks pretty complete; we have got all the things we need through to getting the licence and the licence hearing, where the board makes that decision. That process is between 12 and 14 weeks. There is a pre-hearing discussion about the licence application that the board has part way through that 14 weeks, so the board is aware of what is coming towards them and has got the opportunity to ask questions and make sure some questions are put to the applicant before it comes for the final decision. But that process is 12-14 weeks.

370 Longevity of a licence? It really does depend. The Island is popular at both ends of the continuum in terms of business size. We are very popular with start-ups because we do not have great barriers to entry for these businesses. It is a licence fee, it is going to be legal advisers and any other sector advisers, and then it is about getting your application in and us having a look over that. The application fee is not particularly expensive. It is £5,000 for the application fee, so we get a lot of start-up businesses coming. At the other end of the continuum, we have got some really very *large* businesses, some of which you will be familiar with.

380 Those small ones are coming into what is a busy market – so you have got a little, small operator trying to compete with some of the huge, big businesses. So they will come, and generally they have got some kind of niche product, a niche offering; there is something they see in themselves that will be able to sustain the business that they are looking to sustain. Generally, they come with a level of funding to help them get through that first year, that first 18 months. Candidly, we often see that that funding has been underestimated, particularly around marketing costs. To get into the space to start to acquire players is expensive – more expensive than some

385 people give it credit for. Sometimes their niche is, actually, 'We can acquire those people cheaper.'  
The truth of the matter is it is very expensive. So we see some of our start-ups will drop out after  
one, two, three years. The bigger operators already have the resources to continue, so they can  
last.

Some of our operators have been here and pre-date me, 2007, since the very *first* inception of  
online gambling.

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**The Chair:** Thank you.

Do you have another question, John?

**Q19. Mr Wannenburg:** Just about that last point, you mentioned that some people drop out.  
395 Do they drop out once they have had grants? Do they have to pay them back?

**Mr Brennan:** I am unaware of the grants situation; that is for the Department for Enterprise.  
So I do not know what financial support a new business might get. We are looking at the business  
purely in terms of their revenue and turnover.

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**The Chair:** Mr Moorhouse, one more question?

**Q20. Mr Moorhouse:** Yes, just two elements.

In terms of the 70 licences, are there many companies which have got more than one licence,  
405 or is it just one licence for each company?

And, in terms of being regulators, what do you expect the licence holder to have on the Isle of  
Man in terms of operations and in terms of – ?

**Mr Allen:** Honestly, as much as possible! *(Laughter)*

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**Q21. Mr Moorhouse:** Yes, but there must be a minimum in terms of the compliance officer or  
something that – ?

**Mr Allen:** There are requirements.

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**Mr Brennan:** There are requirements.

To answer your first question, the majority of our licence holders have one licence. And to the  
point I made earlier about Malta – where Malta has a different licence for a different type of  
approach for the business, a different product vertical, one of the things – that is not something  
420 that the GSC's licence offers. You get a GSC licence and there is a schedule on there that you can  
add an additional product to, but it is only one licence. It is really quite simple and easy to  
maintain, but one licence will cover everything you want as long as the product you are trying to  
cover is listed within the schedule.

So, for example, if an operator comes to us and is offering poker and then further down the  
road decides they would like to offer bingo, then they would have to come to us and we would  
425 have to get that licence amended, after we had gone through all the checks of the product that  
they are looking to offer. The licence would be amended and that would be signed through the  
board. But generally one licence covers all.

**Q22. The Chair:** It is interesting, Mr Allen, because you have spoken in your introduction about  
430 the constantly changing online gambling, and yet when I ask about when a review is going to be  
done, you are contradictory, so that is four years – just so I get a bit of an understanding.

So if something is moving very quickly, how often do you ... Is it per licence?

435 **Mr Allen:** Basically, the business is placing bets on things and getting winnings, but the way you place the bets, (*Interjection*) how it is calculated, what it is, whether it is virtual gains or real gains, whether it is – (**Mr Brennan:** Virtual currencies.)

Virtual currencies or real currencies. Is it player versus player ... ?

440 So in terms of our licence, it is a gambling licence, but there is a myriad of things – and within each of those we apply our principles about the fairness of the game and the protection of the gamblers, and all the rest of it. You have to look at each ...

So that is what I mean, really, you have to interpret what they are trying to do and then unwind it and apply your principles to it.

445 **The Chair:** Thank you for clarifying that.

**Q23. Mr Moorhouse:** Can I just have a little bit of clarity in terms of what operations are required on the Island?

450 **Mr Allen:** Yes, we did not answer that question! (*Laughter*) Thanks for that.

**Mr Brennan:** Yes, sorry.

455 In terms of the operations, if you are applying for an Isle of Man licence, then you have to be a Manx-incorporated company. The licence has to be held by a Manx-incorporated company, so that is incorporation down at the Registry, and then there will be a registered office address on the Isle of Man for that. Additional to that, the issue around the players' personal data has to be held on servers in the Isle of Man as well.

460 We recognise that the games are being played on servers in a different jurisdiction, and that is the make-up of the gambling world. There are some suppliers and they have got the games, and our operators will plug into the suppliers of those games. Those games are going to be located in country x, our operator in the Isle of Man will plug into that and its players will come through and play on there, and they will get paid out through the Isle of Man. I am oversimplifying, but that is the point. We cannot expect to have some of the games on the Island because the game suppliers are just enormous. They have got their central infrastructure somewhere else and they are not going to break a little bit off just for an Isle of Man licence holder.

465 So the way that the ecosystem, as it were, is structured is that we have a minimum footprint. That minimum footprint is important to have the players' data on the Island and that is part of our requirements for player protection – player fund protection. So we will ask them to have banking, and we will have their player details, on the Island. The player details will be name and address and it will be the wallet values – the *values* that the player is owed by the gambling company, should the gambling company be requested to pay that out.

470 As the regulatory authority we want to make sure that information is held on the Island so that in the event of a default by the operator, that data is here. Repatriation of the funds will be complex, but at least we will have the starting point of that data.

475 **Mr Allen:** I am thinking about the people, Steve, that they have to have here –

480 **Mr Brennan:** Sorry, yes, my mistake. So in terms of people that they need, they need two local directors who are on the Island and then they will need somebody who is part of the licensed business – we call that the 'designated official'. The designated official is an approved position, so they will need to be approved by the board at the time of licensing. The designated official needs to be on the Island. The purpose of the designated official is that, as the regulatory authority, we have somebody who is the business that we can go and talk to, who is responsible for the conduct of that business, and as the regulator then we can have that dialogue with them.

485 **Q24. The Clerk:** That designated official is an actual person, not a company?

**Mr Brennan:** Yes, an actual person.

That legislation was changed a number of years ago because, again, some of these big businesses are located elsewhere and they are not necessarily going to put their official on the Isle of Man. So the legislation was changed to allow for an operational manager, and that is effectively somebody who steps into the shoes of that designated official. They are somebody who we can go and call on, who we will hold responsible for their licence. If the company has allowed for that operations manager to be on the Island, then that operations manager represents the company. Again, it is really for our regulatory inspections or any questions that we have got.

Whether we are calling them in or we are going out to see them, we have got that focal point where we can go and speak to them, and they represent the company.

**Q25. The Chair:** Thank you.

Just as a final question on the current regulatory environment, and bringing this right up to date right now: since war has broken out between Russia and Ukraine, has there been any impact to the gambling sector in a similar way to banking; and has this affected any Isle of Man businesses?

**Mr Brennan:** Has it impacted? It is too early to tell. For the regulator, I would not imagine that it is going to impact us a great deal, just because of the location of the conflict that has taken place; and my understanding of the client base that we do have.

In terms of from a regulatory perspective, obviously, like everybody else, we have got the sanctions lists that have come round and we will be reviewing those against our player base; and we will be reviewing those against the operators and key people who are involved in that.

**The Chair:** Okay, thank you.

We will move to part 2, the Commission's Staffing Resilience.

Mr Wannenburg, thank you.

**Q26. Mr Wannenburg:** Thank you for the organisational diagram you provided. Could you describe your staff recruitment and retention plan, including any previous support from Treasury?

**Mr Brennan:** Staffing has been a long-standing issue with the Gambling Supervision Commission and primarily that has been because, as the Island increases in popularity for online gambling operators, the requirement for good staff who understand it goes up as well. We have got ourselves in an odd position of actually pushing our inspectors out to go and do an inspection, which has turned into a job interview when they go. So they would come back with better terms and conditions and see if we could match them!

We did have quite a high turnover of staff because we kept losing them to the sector, and the sector was growing. Treasury has been very supportive, I will say. We have been to Treasury, we had an HR recruitment strategy and there were a number of levers in there that we were hoping to be able to use that would help us to retain our staff. But primarily what we needed was more budget from Treasury to increase our staff numbers to match the increasing number of operators that we have got.

We got the increase in the budget and we have been going through our recruitment process over the last 12 months. The issue that we had bumped up against was we outgrew our office space, so the recruitment had to stop because we had nowhere else to put them, even though we had three or four vacancies within the organisation. Mercifully, that was resolved in December/January and we have been able to expand into the office that was adjacent to us that belonged to Staff Welfare. Staff Welfare have moved to a different property and that has alleviated the rather large problem that we have had.

We have completed our staff recruitment. The staff complement we have got at the moment, including myself, is 28 and I think that is probably just about what we need for now. We do monitor

540 the number of applicants who are outwith advisers in the sector. We know that there is quite a healthy pipeline of operators coming towards us. We also know that we do have a drop-off rate, it is about a 25% or 30% drop-off rate. So if we got 20 applicants in a year, I think we had seven applicants drop off last year. The numbers are increasing and we have an approach to ensure that we do not go over capacity in terms of our licence holders and under capacity in terms of our staff. So we are monitoring that and we are measuring that, and we have now got the space to expand into, should we need it.

545 **Q27. Mr Wannenburg:** Are there any problems with your staff going into the industry, almost like poacher-gamekeeper type of thing?

**Mr Allen:** We do think sometimes we are the training ground for the industry!

550 **Mr Brennan:** I think it is accepted that we are the training ground for the industry!

**Mr Allen:** It is not a bad thing!

555 **Mr Brennan:** No, it is not, and we have had one or two people who have come through to us, they have applied for the job, they have got something that we really needed in their skill set and we have got something they really needed in our learning and development. We recognise we will probably keep them for three or four years. It becomes almost a transactional relationship: we will get something from them, they will get something from us and then they will get taken on by the local sector.

560 We see that as a good thing because then we have got some people who were formerly inspectors who are doing a job with our operators. They will understand the language we are talking about and they will understand the things that exercise us. They will understand what we are interested in trying to resolve. So I will say it works well. Do I like it? Well, we are constantly training people and that causes a little bit of an issue with us, because experience walks out the door then inexperience walks in the other side. We recognise that we are constantly in that cycle of lifting that skill set up; and that risk increasing again for losing the most skilled.

570 **Q28. Mr Wannenburg:** I understand these issues you have, but would they take any privileged knowledge with them?

575 **Mr Brennan:** No. We are really quite careful about how we exit staff, when the staff do go. We have got a range of tools available to us and we have got options around the files that they work on, the environment they work within. We could put them on gardening leave if we need to. So we are conscious and we are careful about that because our operators, as well, do not want to necessarily see an inspector go to one of their rival companies. We do want to make sure there are very clear optics around staff and, when they move, how they move and where they move to.

580 **Q29. Mr Wannenburg:** And sourcing new staff, have you considered or do you do any graduate programmes? *(Interjection by Mr Allen)*

585 **Mr Brennan:** We have not considered and we have not done any graduate programmes. It is not because that has been dismissed out of hand, it is because when we do advertise for these roles, we do get a lot of applicants for the very reasons I have just said. There are a lot of skill sets that are currently out there within the financial world that cross over into the gambling world. If you think around AML/CFT, corporate governance and all that compliance-type work, whether you are in a bank or a financial institution or the gambling world, they are largely the same sorts of things. I think the difference that we do see is one sector pays a little bit better than the other. So we are seen as that stepping stone through.

590 We do get a lot of interest when we have a vacancy and have not necessarily seen the need to start looking down at that graduate recruitment level.

**Mr Allen:** I was just laughing, Steve, because one of our more successful applicants in recent times was actually a summer intern, so it is almost that the graduate policy intern scheme is an excellent scheme for Isle of Man business. You just look around it, not just the Gambling Supervision Commission, other businesses can see how useful it is to have that protracted interview process.

I am involved in another business where we had an intern, an absolute godsend. (**Mr Brennan:** Yes.) But he did not cost us anything and now we do not want to lose him.

600

**Q30. The Clerk:** Are you talking about the Internship Programme run by DfE?

**Mr Allen:** Yes. Basically, they get students to come and work ... It is a traction thing to stop them all leaving when they ...

605

**Q31. The Clerk:** And it is paid for by the Department for Enterprise? (**Mr Brennan:** Yes.) The business does not pay? But you get to see somebody close up. (**Mr Brennan:** Yes.) And then you may recruit them?

610 **Mr Allen:** For a period of time, yes, and then you can take them on afterwards. So we did participate in that, didn't we.

**Mr Brennan:** Yes, they were fabulous for projects, if we have got a key piece of work that has got a finite start/end and a delivery time within the time that they are available to us. We had one young lady and she was absolutely outstanding and we did everything we could – but failed.

615

**Mr Allen:** Did we fail?

**Mr Brennan:** Yes, she has moved to London to be a lawyer.

620

**Mr Allen:** Oh, has she? That is annoying, isn't it?

**Q32. The Chair:** Thank you, gentlemen.

We are moving now on to part 3, Gambling Addiction Support. In your background memorandum, you advised that the Isle of Man licence holders 'continue to support organisations which offer addiction support services.' In 2020-21, £147,570 was provided to the Isle of Man-based addiction services, with £282,763 provided to non-Isle of Man services.

625

What type of local support does this funding provide for, please?

630 **Mr Brennan:** I cannot really speak for the nature of the support that gets provided, because that is done by the charity. I can talk to the charity that tends to benefit. There is only one charity on the Island that I am aware of – there may be two now, but there has traditionally only been one that I am aware of that has been dealing with gambling addiction. That is GamCare, which is a subdivision of Motiv8, which used to be the Drug and Alcohol Advisory Board, if I recall. The operators are required at their year-end returns to declare what support they have been giving to charities' addiction services in support of problem gambling.

635

So we see where those contributions are being made to, and in the main they are made to GamCare Isle of Man under the auspices of Motiv8. In terms of the service, it is probably a question that is better directed at Motiv8.

640 **Q33. The Chair:** Does that not fall under your responsibility to see that the funding is spent effectively?

**Mr Brennan:** We are not in a position to measure how effective the interventions that may be clinical are going to be, that is not necessarily anything that the GSC would have within their knowledge set.  
645

**Q34. The Chair:** It has been reported the UK's National Health Service will no longer accept industry financial contributions to addiction services. But, on Island, is there similar consideration for industry support for such services?  
650

**Mr Brennan:** Again, that is really a question for the Department of Health and Social Care. It is not something that we would be involved in at all. I cannot say what their thinking is on that point.

**Q35. The Chair:** Okay, thank you.

655 On 15th February, *The Lancet* medical journal called for more research into gambling disorders. Do you feel that sufficient support is available to vulnerable players?

**Mr Brennan:** It is really quite a complicated area and at the moment it relies on a number of different actors in the field and regulators, such as ourselves. Our role in this is really to craft the regulations that we believe will provide those maximum protections and to make sure that they are enforced for the benefit of the consumer.  
660

There are academics who are involved in this space who are doing the analysis; and there are clinicians involved in the space. We are really reacting to the advice of those who are better placed to understand what that impact is, and either that is going to be done via academics who are analysing data – and I will talk about the Safer Gambling Coalition and its objectives, which touches on that, a little bit later on. But the academics are analysing data so that they can understand what patterns, what triggers ... What are the things that are within the gambling play that they are analysing the data for, which are causing people to be harmed by gambling. Then, on the flipside, there are the clinicians who are dealing with the fallout when that has happened.  
665

670 Really we, as the regulators, are trying to understand what is coming out from the academics and what is coming out from the clinicians to say: what would the regulatory environment need to introduce, or need to do, in order to try to minimise the occurrences that have been identified in those two areas? It is really quite a complicated area. My view of the regulator's role in that is just to be cautious about making decisions that are not necessarily decisions that I would be qualified to make, when we are talking about either the data analysis or clinical intervention.  
675

**Q36. The Chair:** Thank you. Do you want to just elaborate a little bit more now about the Safer Gambling Coalition?

680 **Mr Brennan:** Yes. You will see from the note that I mentioned it last year, and I have mentioned it this year, and I had hoped that it would be much further advanced than it has been. But there are a number of reasons that have caused that to slow.

To take a step back, the Safer Gambling Coalition was conceived by our sector, probably about two and a half years ago. The objective of the Safer Gambling Coalition is to amalgamate all of the data from all of those members of the Gambling Coalition and hand that over to an academic. An academic can then start to look at that, and if there are particular issues coming to the fore, analyse the data to see the extent of the issue and the cause of the issue. Then they can hand that over to clinicians and say: 'How do we go about resolving that issue?'  
685

690 The reason that is an important way to approach this issue, for me, is that we will be making evidence-based decision-making, which is that we are using the data. My observations of problem gambling interventions I have seen in other jurisdictions are that if they are done based on the



695 back of a survey – I don't know, of 10,000 people, of which 5,000 people respond – 200 people have got some kind of concern or some kind of issue. ... I am not sure that the survey reach is wide enough. I am not sure the subset of information that comes from that is detailed enough, or deep enough, or close enough to the topic to be able to make that right informed decision.

700 So the objective here is that we can do evidence-based decision-making based on the player data from all of the operators on the Island – and there is no reason why that could not be expanded to anybody at operator data. When we talk about the operator data, just to be clear, this would be anonymised data, so there would be no names in there, it would be the *style* of play that the Safer Gambling Coalition is looking at. The objectives then would be that once the data have been analysed and the problem has been found, it might be that a regulatory intervention is needed, or it could be that there is a clinical intervention that is needed, or it could be a code of practice for the operators to say: 'This is how we are going to conduct ourselves to minimise that.'

705 But, just going back to where I started with this, the Safer Gambling Coalition as an initiative, the GSC has already strongly indicated it wants to be part of it, it is very supportive of it. I lend my support as best I can at the moment to try to keep this moving forward, but we will be one of the pillars that will be integral to making this a success. We cannot do it on our own: we will need the operators; we will need the addiction support services; we will need mental health services to be involved in this; and we will need the regulator to be involved. I have still got hopes that this will move along and it is, on the eGaming Strategic Advisory Board, one of their strong desires as well.

710 So, at a public-private sector partnership level, there is a strong interest in moving this forward.

**Q37. The Chair:** What are the next steps?

715 **Mr Brennan:** The next step, the corporate side of it, is moving it to a charitable status. As soon as it moves to a charitable status, then it can open up to memberships; and as soon as it opens up to memberships then we can start to get the data, and then we can start to analyse the data; and then we can move into what the interventions are. What are we finding? How do we resolve that?

720 The charitable status bit is the bit that has slowed, for a whole raft of reasons. It is not about necessarily becoming a charity, it is just about the time of the people who are doing this at the moment, who are also involved in other businesses; and we have been in the midst of a pandemic which has *really* slowed things down.

725 **Q38. The Chair:** I do hope that there is some more vigour to that. But I do understand that obviously in the past the reason everybody is having that bottleneck effect – aren't they? – is with the workload.

**Mr Brennan:** You and me, both.

730 **Q39. The Chair:** Not to put you on the spot or to hold you to a certain date, but do you see a timeline where, ideally, you would like to have this moving to charitable status? And then starting to join in the partners?

735 **Mr Brennan:** I would say charitable status by quarter 2, this year. I do not think we are that far away, is my assessment of the status of the problem with that. I do believe it could be moved there – it is being moved by others, and I would just point that out, so it is not my responsibility. But I think that by quarter 2, as soon as quarter 2 status comes along, and with the support of all of the other actors that were in there – particularly the eGaming Strategic Advisory Board – I do not see that it would be much later after that, that membership could start.

740 I am conscious that I am speaking on behalf of somebody else there, but I do think that is an achievable target.

**Mr Allen:** I would say there is a very strong desire from the industry to address this problem. None of the gambling operators want people with problems; they really do not. They have all kinds of tools currently in place to allow people to self-exclude, to identify trends depending on the sophistication of their systems. They are in favour of it, they are even in favour of giving up their data provided it is anonymised. So –

**Mr Brennan:** Yes. There is a will.

**Mr Allen:** – there is a will to do it. Unfortunately, it is like a lot of things, when you do something on a voluntary basis it is dependent on the time of the person who is involved in trying to get it moving – and that is, if they are distracted with something else, they cannot focus on it. (**The Chair:** Absolutely.) So it is taking a long time to move from a limited company to a charity.

It is not really in our gift to do it, unfortunately. We are just going to offer the support from a regulatory perspective. Probably, when the results come out, that is where we will see the real benefit from our perspective, so we can look at how we might interpret the results into some requirements that can be distributed across our estate.

**Q40. The Chair:** Fantastic.

Is gambling addiction a problem amongst Island residents?

**Mr Brennan:** Again, this is probably a question for Motiv8. I have had a look at their annual report –and I do keep an eye on Motiv8’s annual report. I have got to be careful now, because I have not got the exact figure, but I think they treated some 35 people, that I think were recorded in the annual report. They may be people with an addiction or they may be immediate family members who came in for support for someone who may have an addiction.

So to put that into a context, I think the referrals for drug and alcohol were in the 400-500 versus 35, or it might have been 50. I cannot remember the figure off the top of my head, but it was no bigger than that.

**Q41. The Chair:** I think this would be important, considering one of your regulation objectives is to protect children and other vulnerable persons. Are there any of these, do you know, children?

**Mr Brennan:** I am not party to that level of detail and that is not published in their annual report, as far as I am aware.

**Q42. The Chair:** So how do you measure your success of that objective?

**Mr Brennan:** The objective, the focus of the question has been on gambling addiction, whereas the protection of the young and vulnerable, the vulnerable will be on the addiction side. The young is about under-18 limits and play.

We do have a number of requirements of our licence holders, just as you would see in every other jurisdiction, to ensure they do not have players under 18 playing on their estate. That is all to do with the registration process and proof of identity, so our operators have got a requirement to ensure they do not have any underage players on their estate.

**Q43. The Chair:** Have there ever been any instances of this on the Island, do you know?

**Mr Brennan:** Underage play? I think we have had one which came through to us where it was later identified as somebody who was underage who was playing on somebody else’s – if I recall, it was on their parents’ ID. But, other than that, no.

**Q44. The Chair:** Okay, could you just elaborate a little bit more: did online gambling increase during the pandemic?

795 **Mr Brennan:** Online gambling increased ... ?

**The Chair:** During the pandemic.

800 **Mr Allen:** Just while Steve thinks about it, sports betting stopped, basically, because the sports events stopped.

Online gambling as a whole, Steve, do you have any ... ?

805 **Mr Brennan:** During the course of the pandemic and measuring online gambling in terms of revenues, I reported in my last report to you I think we saw a decrease of 25% in revenues; and as Jon has said, that is primarily due to the cancellation of sporting *events* of which there were large sports-betting markets. That plays to the make-up of the Island's gambling sector – I am scrambling for pages here.

810 In the make-up of the Island's gambling sector, out of all of our licence holders, betting is probably the second most popular. It is a big part of our estate. So if the sports events are cancelled, then the betting is going to be a big part of the revenues that are impacted during the course of that year.

**The Chair:** Mr Wannenburgh?

815 **Q45. Mr Wannenburgh:** Steve, you said 35 people have been affected by gambling. In a population of 85,000, that is really questionable, isn't it?

**Mr Brennan:** They are not my statistics –

820 **Q46. Mr Wannenburgh:** I am not sure I would trust those figures.

From what you are saying, I sense that you are trying to distance yourself away from the responsibility of people with problems. Jon mentions that people should self-exclude ... Much as an alcoholic is not going to stop drinking because he wants to self-exclude.

825 I think maybe we should be doing more than we appear to be doing. Would you agree with that?

830 **Mr Brennan:** *We* as a collective ... If we look at online gambling from a regulatory perspective, there is only so much we can do with the tools that are available to us. As a broader jurisdiction in terms of mental health facilities to be able to do that, or service providers for counselling who can do that, I am sure there is more that can be done across that whole broad spectrum of availability of services for people with problems.

**Q47. Mr Wannenburgh:** Would you see that as part of your responsibility?

835 **Mr Brennan:** It is a difficult one to take on the responsibility for; we do not have the skill sets to be able to advise at a clinician level. We have got to be careful, as regulators, that we are not trying to introduce something we see that should have input or advice or direction from those that are better placed to advise on mental health problems – which gambling addiction can be. It is a difficult one. If I could draw an analogy to it, it is little bit like: 'Does the publican offer advice to the alcoholic?' They do not. There are the right people to go to when these addictions take hold. There are the services and there are the people to get there.

840

**Q48. Mr Wannenburgh:** Much like the off-licence stops selling to people who are below 18? There are certain things –

845 **Mr Brennan:** Yes. We will stop play for people who are under 18, because they are clear. We understand, we can see visibly, we can see through their verification that there is a barrier and a boundary over which they cannot pass and should not pass. An age verification, quite clearly, is easy to define. Problem gambling and alcoholism are very much more difficult to be able to identify and define.

850 **Mr Allen:** It requires, to a certain extent, you would need to know an awful lot about the player's means – someone who would bet £30 a week, that is a third of their disposable income ... There are professional gamblers who literally bet millions of pounds a day and it does not even scratch the surface, because that is their business.

855 So, how you enforce the – ?

**Mr Brennan:** How you identify – ?

860 **Mr Allen:** Or how you identify and then try and enforce some sort of problem gambling thing –

**Q49. Mr Wannenburgh:** It is the people who spend their family's food money.

865 **Mr Allen:** Yes, because you cannot ask people ... We cannot build an enormous database of how much people actually have.

**Q50. Mr Wannenburgh:** Yes, but it cannot always be somebody else's problem, right?

870 **Mr Brennan:** No. I do not think we are saying it is somebody else's problem. If the jurisdiction is going to enjoy the benefits of a particular sector then, as a jurisdiction, I think there is a responsibility also to make sure those that could be harmed by that sector are ... I think there is a coalition of people who have got a responsibility in that.

875 From a regulatory point of view, I think we have got a responsibility in that, we have got to be able to provide tools, we have got to be able to make sure that we can offer protections and minimise the type of play. But once it has become an addiction ... I think there are better people than the regulator to be providing counselling help and support in that way; or, if it actually gets to a point where they need medical assistance, there are clinicians there.

880 So yes, as a collective – which is the point I really started on – I think the Island ... I could speak for what we do. I cannot speak for the services that are being provided for mental health. I am not going to make any comment on mental health services or those clinical interventions that are provided.

885 **Q51. The Chair:** Mr Brennan, it is interesting that you have linked mental health, as a title, to this subject. In fact you are not alone, in that the UK Digital Economy Minister recently described gambling-related harm as a public health problem. Could you see or would you have an opinion on some funds that could be distributed among some of our local mental health charities?

**Mr Brennan:** I would say that they are at the moment. I would say Motiv8 falls into that bracket.

890 **Q52. The Chair:** But you said that there was only Motiv8 –

**Mr Brennan:** They deal specifically with gambling addiction –

**Q53. The Chair:** But also mental health charities that perhaps were not, alone, gambling related.

895 So you might have complex mental health needs (**Mr Brennan:** Yes.) that might be a broad spectrum of mental health needs, which may *include* gambling. But there are obviously a lot of mental health charities that could benefit from these funds.

Would you agree that you could look at a broader spectrum as to reaching some of those charities?

900

**Mr Brennan:** Our requirement is that our operators are supporting addiction services. We do not specify what addiction service they should support or where that addiction service should be. At the moment, from the returns that we get, we see that the addiction support is going to a very specific organisation that deals with gambling addiction.

905

Would I expect to see operators within the Isle of Man making contributions to a broader mental health spectrum? I think, as the regulatory authority, I would question *why* the money is being spent there, when we quite clearly have an addiction charity that deals with the problems that can arise from the products my licence holders are offering.

910

**The Chair:** Okay, thank you.

**Q54. The Clerk:** If it is of interest to the Committee, while Mr Brennan was speaking I found the Motiv8 annual report for 2020-21, and he was quite right: the number of gambling referrals in the most recent year, in 2020-21, is 46.

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**Mr Brennan:** Forty-six? I was close.

**The Chair:** You were.

920

**The Clerk:** It was 50 the year before!

**Mr Brennan:** I think there might be a breakdown on that to say that includes significant others as well, if I am not mistaken.

925

**The Clerk:** I have not got that far yet.

**Mr Allen:** Further to your point, it does concern us a lot. We are not flippant about it. The major driver behind this new initiative to do data-mining is to try and find trends that are in the data that can identify people through betting habits. They can identify people who may not even think they have got problems themselves, but the red flags start coming up.

930

It is a way to bridge the gap between what is feasible and what is desirable. At the moment it is not feasible to know everybody's spending habits and everybody's disposable income, and all the rest of it.

935

**Q55. Mr Wannenburg:** I do accept that point, but we cannot be –

**Mr Allen:** No, we have to find a way to identify these people, and that is why we were very firmly behind the new initiative to do data analysis to try to identify more of those people.

940

**Mr Wannenburg:** Good, I am glad to hear that. Thank you.

**Q56. The Clerk:** It is 31 people's own gambling, and 15 significant others or family members.

**Mr Brennan:** Thank you.

945 **Q57. The Chair:** Can you elaborate more on effective and intelligent interventions? You mentioned that in your report ...

**Mr Brennan:** In relation to?

950 **The Chair:** That is what I am trying to find!

In the second half of your statement you talk about explaining the important initiative area that the GSC will be part of in the future. It relates to problem gambling and specifically the need for effective and intelligent interventions to be based on analysis of reliable data.

Is that what you were talking about?

955

**Mr Brennan:** Yes, absolutely.

**Q58. The Chair:** Thank you, that really is very clear.

960 We will now move on to part 4, Medicinal Cannabis and Hemp Regulation. In the background memorandum you mentioned that taking on the medicinal cannabis and hemp sector has 'not been without challenges or issues for the GSC'.

Could you talk to us more about that? Thank you.

965 **Mr Brennan:** The background to us taking this on in the first place, this has been one of Government's national strategic initiatives and it had been in the development phase with the Department for Enterprise for a good number of months. Part of what was being first discussed at the Department, and with the advisers to the Department, was that in order for this sector to be introduced safely to the Isle of Man it would need to be regulated. There was a discussion about creating a new regulatory authority to look over that. If I can be honest, I think there was a time constraint that would have prevented the legal basis for a regulator to have been introduced.

970 Primary legislation does take time and I think the commencement of this project was sooner than that.

We were invited to take a look at whether or not this is something that could fit within the GSC. In terms of our approach and our framework it was not too dissimilar in terms of what we wanted to do. We would be looking at the people, we would be looking at the organisation that was bringing it, and we would be looking at the product. We do that within the gambling arena as well: we ensure that the products are all safe.

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So on the surface you can say actually, the framework that we operate now for our gambling sector, we could lay it over a cannabis sector. The challenge has come. The gambling sector really is quite simple in comparison. You have got the business and you have got a gambling regulator, and there is not much in the way of international standards. It is not particularly mature in terms of standards. There are standards for AML/CFT, but there is nothing else. The rest are just individual regulators' standards about game testing, about fitness and propriety – they are what the regulator of a particular jurisdiction wants to do.

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985 A medicinal cannabis world is a very different world. There are lots of other actors who are involved in that space, and there are lots of international standards. There are United Nations conventions and there are *lots* more moving parts, coupled with a much more tied-in relationship with the UK in terms of being able to license and regulate medicinal cannabis and hemp.

990 So we took it on because we had a framework that we could fit over it. The challenges have been to try to corral all of those moving parts and understand where they fit within that framework. I will, hand on heart, say when we did take that on we thought we knew all of those moving parts and they had all been identified, but we did identify a few more when we got right down into the detail.

995 So there have been challenges, as Jon said in his opening statement, and there has been much learning.

**Q59. The Chair:** The GSC has published a list of licence types for the medicinal cannabis and hemp sector. I have got a list here, so I am ready to write down ... Can you advise how many applications per licence-type there have been so far?

1000 **Mr Brennan:** We are still in the very early days of the framework that we are looking to  
introduce and, as Jon mentioned, there was a lot of work to do. We have spent an extraordinary  
amount of time getting the policies right and getting the framework in place. We have had  
interest – there is no secret that there has been interest. We have had a couple of applications  
1005 that have come towards us for our initial cursory reviews and we have got probably another four  
where we have had conversations with the advisers. Very much like we have talked about for the  
gambling world, we speak to the advisers in the application preparation. We have got another  
four there that have shown interest and we have had that conversation with them already –

**Q60. The Chair:** So you have got two, currently?

1010

**Mr Brennan:** They are not licensed. They have got licence applications in with us at the  
moment, we are working to –

**Q61. The Chair:** You have got no licence applications at all in at the moment?

1015

**Mr Brennan:** No, we have got two licence applications in with us at the moment; and we know  
that outwith the advisers for this sector there are another four applications that are coming to us.

**Q62. The Chair:** What type of licences have the two applied for, if you are aware?

1020

**Mr Brennan:** I have not got all of that information in front of me, but certainly one is for growth  
and one is for transportation.

**Q63. The Chair:** Are they the same organisation – ?

1025

**Mr Brennan:** No.

**Q64. The Chair:** There is currently a business publicly consulting on plans for a proposed  
medicinal cannabis and research facility in Braddan. Will we see others in similar schemes? Are  
1030 you expecting more, or further interest?

**Mr Brennan:** From the four that we recognise have got an interest in that, we have recognised  
the one that you talked about. The other three on there, I cannot say at this stage whether they  
will be the same types of business on the same type of scale.

1035

Again, this is really where the Department for Enterprise is that first touchpoint for these  
licence holders. As you would expect, they have got a team looking at the development of this  
sector, given its importance and the profile, certainly, that it has had.

**Mr Allen:** I think, given the complexity and the extent of the various regulations right across  
1040 every step of the process, it is unlikely to be dozens and dozens of licence applications. It is going  
to be people with big pockets who are prepared to make significant investments. That is really  
quite an attraction for the Island because obviously the bigger the investment the more jobs  
created, the more business services and things provided.

So it is unlikely to be on the same scale as the gambling industry, you would say?

1045

**Mr Brennan:** It is very different. As I say, we have talked about the frameworks being the same  
but absolute lead-in times are completely different. I think I gave it 12-14 weeks for an application.

1050 Some of the applications for the cannabis sector are going to be *much* longer simply because there is an infrastructure that will need to come with quite a lot of these. That infrastructure has got to go through what every other infrastructure goes through – so there are the permissions, there is the land acquisition, there is the planning process, there is the Bill.

There are all sorts that will need to go on, so these are not going to be –

1055 **Q65. The Chair:** Are we talking years, compared to weeks?

**Mr Brennan:** That process alone, which is outside of our gift, will take a long time. If you were building from scratch, if you were converting premises, I still think there is going to be a long time before you can start to yield the benefits of what you are looking to try to achieve.

1060 **Q66. The Chair:** Do you feel that there are sufficient penalties and checks in place to deter any licensee from breaching the conditions of their licence in this area?

**Mr Brennan:** In the cannabis area, or in gambling generally?

1065 **Q67. The Chair:** Just staying with the cannabis.

**Mr Brennan:** I think in breaching the licence conditions, I will have to consider that, and I will probably need to reply specifically. That is not something that I have got prepared.

1070 **Q68. The Chair:** Okay. The reason for that is, obviously, there are concerns locally. It is something that we would like to reassure the public about, what penalties there are. So if you could let us know in answer to that?

1075 **Mr Brennan:** Yes, absolutely.

**Mr Allen:** Medicinal cannabis is a very restricted manufacturing type of process, with the growing and the processing and all the rest of it. I think the public cannot be too alarmed at the development of that kind of industry. It is not growing weeds in the garden, it is going to be a very substantial technical ... very highly skilled, good profit-margin business.

1080 I do not think people should look at the medicinal cannabis licences and think that it is going to be a free-for-all for cannabis for the Manx public. That is not going to happen.

**Q69. The Chair:** Your part in terms of issuing the licence, what time frame do you estimate?

1085 **Mr Brennan:** Again, it is dependent on what the application is looking to try to do and also how it might go about doing that. So we have talked about – if they are looking to go on a brownfield site or a greenfield site, for example, and they are looking to do that new-build from start to finish – it will be their commercial decision at what point they decide to start that investment into something that requires a licence. Will they do that investment at the point that they have got certainty there is going to be a licence at the end of that process? Will they build it before they even start that licensing process?

1090 It is a difficult one to be able to put a time frame on and we have not actually walked one through a full licensing process yet –

1095 **Q70. The Chair:** Actually, could you just walk that through now? I am interested in the sense that you believe it is almost like run before you can walk, you need to actually have the planning permission accepted first, and then –



1100 **Mr Brennan:** Planning is just one example. For other examples, you will need licences ... They have got to obtain, from the medical regulator in the UK, an MHRA licence – the Medicines Healthcare Products Regulatory Authority. So if you have got a licence in the Isle of Man you will still need to get an MHRA licence in the UK. That is partly to do with our relationship between the Isle of Man and the UK over the Narcotics Convention.

1105 So when I compared it to the gambling world, which we are fairly autonomous with, this is a far more complicated beast. How long does it take to get that licence? You may already have the premises that you want, they could already be up and you could just buy them and walk into them. That would be a quicker process than seeking planning permission and having to build.

So, how long that process will take is going to be, as Jon said, a long investment –

**Mr Allen:** Every step of the way.

1110 One of the people who have come to us is looking into transport, picking up the things from the factory and taking them to the sales outlets, or whatever. So the growing thing is regulated, how it is structured, the protection and all the rest of it. There is the laboratory side of it – (**Mr Brennan:** Testing.) the testing, the seeds. They have got to have a market for it before they even start growing things.

1115

**Mr Brennan:** Yes, it is a very good point that Jon makes there. One I should add is that in order to obtain a licence they have got to have a market to sell into – before they even come to us. That route to market is absolutely crucial for the licence. We cannot give a licence unless we know they have got that route to market. That needs to be mapped out before, and it is part of that application process.

1120

**Q71. Mr Moorhouse:** And if they were to lose that contract, would the licence be withdrawn?

1125 **Mr Brennan:** I would absolutely expect it would be withdrawn because the route to market is no longer viable.

**Mr Allen:** They would have to find somebody else – !

**Mr Brennan:** They have to have a route to market.

1130

**Q72. The Chair:** Do you feel that you are ready for this?

1135 **Mr Brennan:** As I said, right at the start, we have learnt an awful lot. We have built relationships with a number of other regulatory authorities that are already doing this. The UK Home Office has been particularly helpful and we have been liaising with them. They are already in this space and our operation and our approach has got to be very similar to theirs. They have walked that walk, as it were. We have been able to lean on the UK and they have been over to see us twice, I think, now. We have got them on speed-dial and it has been quite useful for us to learn from them how they have gone about that.

1140

Are we ready? At the moment we have not completely gone through all of that process. There is still going to be some learning as we come towards the second half of that application process.

1145 One thing we do within the GSC is we make a process of absolutely everything, and we capture what we are doing as we are going along. We have used that really quite successfully to aid the learning for our inspectors. That path is well-trodden, it is *really* well documented. And we are using that same methodology again for the cannabis sector.

Aside from leaning on the UK Home Office, the Chief Pharmacist on the Island has been really quite helpful, and the Isle of Man Constabulary has been really helpful. We have been in touch with the MHRA in the UK as well. We have not had any pushback from anybody. Everybody has

1150 been willing to impart their knowledge, their wisdom and their information towards us; and that has been really most useful for us.

But we have still got to walk through that whole process. As I say, we have not completed that whole process yet, there is still some way to go.

1155 **Q73. The Chair:** So in terms of how the two sectors are very different, is it fair to say that when you are looking at the gambling sector, you have had 20 applications ... This is something that is going to be one or two, perhaps, maybe not seeing them for a couple of years, then quite possibly another one or two. You are not really seeing these huge numbers – ?

1160 **Mr Allen:** In terms of operational, there are licences sliced at each point, and they may have more licences. But in terms of growing or selling the whole thing it is not going to be many. But it could have a huge impact, it still has a valid –

**Mr Brennan:** It is a difficult one. It is a bit like a gold rush –

1165 **Q74. The Chair:** I wish it was!

1170 **Mr Brennan:** If there is something that has not been allowed, or outlawed for a period of time – online gambling, for example – and then it is being supported by a government and legitimised by a regulator, you will see a lot of interest. A lot of businesses came towards us in those very early days because of that initial offer. Then we see that sector start to mature, and people can see there is value in it, and investors go into it.

We then start to tick along with the opportunity to obtain a medicinal cannabis licence. There are not many opportunities for that around the world. Obviously interest is heightened because there is a new actor in this space, which is Isle of Man Government, and there is an opportunity that did not present itself before. So we do see a lot of interest.

1175 But interest, when I say a lot in this world, it will not be like the gambling business simply because the barriers to entry for the cannabis world are so much greater.

1180 **Q75. The Chair:** Within your team, do you feel that any tasks will have to be outsourced? Do you have the skill there?

1185 **Mr Brennan:** Absolutely, we do. There are some things that we outsource for the gambling world now and we will be doing pretty much the same for the cannabis world. There are prescribed percentages of product that cannot be exceeded. The product has to go to testing laboratories to make sure that it fits with the GSC's requirements over that. We have not got the skill sets to do that. We have not got the tools to do that. So certainly in those instances, we will be outsourcing our testing in that regard.

1190 In other areas at the moment, I think we are just taking the view from our colleagues in the UK Home Office about which way they go, where they outsource and what skill sets they have got. It might be something that they could help us with. It might be something they could point us in the right direction with.

In terms of the really technical evaluations of the product, yes; and in terms of the growing environment it has to meet a particular standard, so the facility in which the product is grown – again that could be tested externally as well.

1195 Could we test it? We could be comparing that to a standard; but we may use the experts to do that for us.

**The Chair:** Mr Wannenburg?

1200 **Q76. Mr Wannenburgh:** Yes, unless I am wrong, I think Jersey has already got an operation going?

**Mr Brennan:** Yes, I believe so.

1205 **Q77. Mr Wannenburgh:** So we are behind the curve in that respect.

**Mr Brennan:** If they moved that first, absolutely, yes.

1210 **Q78. Mr Wannenburgh:** What would be the main differentiator between us and them, if there is one?

**Mr Brennan:** I am not overly familiar with their model, if I am perfectly honest.

1215 **Q79. Mr Wannenburgh:** So when you mentioned all the people you were speaking to, earlier on, they are not the people you are speaking to?

**Mr Brennan:** My colleagues may well have spoken to them but honestly, at the moment, I have not spoken to anyone in the Jersey facility. We have seen an interest coming from business in Jersey to take an Isle of Man licence. One of the applicants I talked about – that was preparing – is from that country.

1220

**Mr Wannenburgh:** Thank you.

1225 **Q80. The Chair:** Is there anything you want to add on that industry, anything we have not asked you on that you wanted to specifically identify with us ... ?

**Mr Brennan:** No, I think the main point I have always been trying to get across is the difference between the gambling world and the cannabis world.

1230 At a high level we can layer over a lot of our procedures, but in terms of the complexity and the autonomy we have in both, they are chalk and cheese. They are *really* quite different. That was one of the points I really wanted to make and I think that has been made fairly clear today, hopefully.

**The Chair:** Thank you, Mr Brennan.

1235 **Mr Allen:** I would just like to add, when it first came forward as an idea ... nothing, really. But actually as you understand, you see the planning discussion we had earlier, it could be really quite significant for the Island.

1240 I do not think any of us at the outset thought the opportunity was that wide. We thought it may have been this wide and certainly we had people who wanted to grow things on their farms, for instance. That is probably not where the Isle of Man is going to end up.

I think it is something we should stick with. We have got a lot of expertise already; we have a dedicated team. I think that, particularly, the leaders of the team are very highly regarded already in that space because it is so complicated, and they know what they are doing –

1245 **Q81. The Chair:** This is an interim position, is it? Is that how it has been decided? As an interim regulator?

**Mr Brennan:** An interim regulator. I think that is really just to understand whether this is an industry that does grow and therefore may then require ... Sorry! (*Laughter*) An industry that does

1250 take off and therefore requires a separate regulatory authority; or it is an industry that, although it tried, has not really got big enough for its own authority.

1255 So my view is, I think it is probably a cautious approach. You do not want to set up another Government body on the off-chance it might work, and then have that body with very little to do. Incorporate it into one that already exists, which can scale up and can scale down. I think it is an appropriate start.

1260 **Mr Allen:** Yes, I think you could have been looking down the barrel right now if it had gone independent from the outset ... Where are all these licence holders going ...? Without understanding that underneath everybody is running like crazy, although it looks like not much is happening on the surface.

**The Chair:** Okay, thank you for that.

I will move now on to part 5, Mr Wannenburgh, thank you.

1265 **Q82. Mr Wannenburgh:** Thank you.

The UK's Gambling Commission recently updated guidance for operators on fair and transparent terms and practices, giving players and operators clarity. Do you have something similar in place for *Manx* regulated entities?

1270 **Mr Brennan:** Yes. I think I will open by saying it is probably fair to say that operators supply lengthy terms and conditions on their sites, and anecdotal evidence suggests not everybody will read them.

1275 The UK, as you have quite rightly cited, have gone to some lengths to see if this situation can be improved upon. However, we manage our risks of unfair outcomes slightly differently. We do it in four different ways. The first is that we handle players' complaints directly. If there is anybody who feels as though there is an unfairness to their play, they can first of all complain to the operator; and if they feel they have not had a fair hearing, then they can bring that complaint to the GSC and we will have a look at that. In other jurisdictions, that complaints process is outsourced to private enterprise. I will comment on how that benefits the player, or whether or not there is a decent resolution. But, for us, we will have a look at each complaint that comes to us, and we ensure fairness that way.

1280 The second thing we do is: we require operators to pay our players their winnings, and we investigate the cases where that does not occur. So if there is a dispute over the winnings, then we will be looking at our operator and understanding why that has not gone out.

1285 The third thing we do is require operators to ring-fence the players' monies in financial vehicles, such as client accounts and trusts. So, in the event that the operator goes into bankruptcy, for example, because of some kind of default event, then those funds can be returned to the players. That sort of plays to the point I mentioned earlier about the player data being held locally, so that we can see at any one point how much was held on account for each individual player. That money is segregated so, in the event of a liquidation, if the operator does go bust that money is the player's money, it is not part of the liquidator assets.

1290 **Mr Allen:** Is it still fair to say, Steve, we are the only jurisdiction that does that?

1295 **Mr Brennan:** Yes, most other jurisdictions have got a 'buyer beware' approach. So, if you are going to gamble, part of that gambling might be how much you deposit with the operator. But generally, the approach taken by many other operators is just to make it as transparent as you can be with your player about how you are managing their funds. We say we will hold it securely. In other jurisdictions they will have a range of different things, but not necessarily to the level that all of our operators are legally required to hold it to.

1300

1305 Then, finally, we monitor the volume of complaints from the players we detect, to try to look for any underlying trends. Last year we had 70 complaints, nine of which were in favour of the complainant, i.e. there was a genuine grievance. Six were in favour of the operator, and 55 were resolved between the player and the operator. So when the player said, 'I have taken this to the Gambling Regulator', then the conversation went back to the operator and they resolved that between themselves. So despite us getting quite a lot of complaints coming directly towards us, we only have to adjudicate on ... Well, last year we adjudicated on, what was it, 15, out of all of those?

1310 Stepping through all of those processes, all of those things that we offer, at the moment we think that our terms and conditions, the balance that we have got, the ability to ensure that it is all fair, is pretty well covered off. I say we do that slightly differently to other jurisdictions because we will adjudicate complaints and we will protect the player's funds.

1315 **Q83. Mr Wannenburgh:** And when you say you adjudicate, are you the final arbitrator in that?

**Mr Brennan:** Yes.

**Q84. Mr Wannenburgh:** That is it? There is no further appeal?

1320 **Mr Brennan:** There is no further appeal.

1325 We have never got to the point where this has had to go to legals. We have always been able to get to that point where we have said to the operator, 'You have been unfair, that needed to be paid.' Or, 'The action that you have taken is unfair, undo that.' Or we have gone back to the player and said, 'Look, this is really quite clear, the way you have played and what you have done, that breached their terms and conditions. It is very clear, and you signed up to those terms and conditions.'

So they are generally not really particularly contentious issues. They are just the wear-and-tear of play. *(Interjection by Mr Allen)* No, on either side of the equation.

1330 **Q85. Mr Wannenburgh:** Could you tell me more about how you regulate slot machines, physically and online; and are checks made on payout of probabilities?

**Mr Brennan:** Online slots?

1335 **Q86. Mr Wannenburgh:** Not just online slots, but *(Mr Brennan: Locally?)* yes, as well.

**Mr Brennan:** The principle that I will talk about applies to both.

1340 Any gain that comes on to the GSC's estate has to be tested. There are testing standards that are our standards and the game has got to conform with those testing standards. They are around the randomness of the game, and the games have got to be truly random. There should be no way that you will be able to predict what comes next. There is an international standard for that, there are tests that need to be undertaken for that, and this is one of the areas that we outsource.

1345 There are a number of test facilities around the world and they will set a testing regime that meets our standard. Then we will list a number of those test houses on our website and we say to our operators, 'If you are going to offer a new game, you have to have it tested to our standard and you can choose any one of those.' We do not mind which one it is because we know the test facilities are ISO-accredited. They get it tested to one of those and then they get a certificate. The test certificate comes back to us and that test certificate says, 'This game is truly random. It conforms with your standard.' That game can then be deployed on to the estate and people can play that game.

1350 We will not have a product on the estate that has not gone through our testing standards. So everything that you can play on an Isle of Man-licensed operator has been tested to our standards.

**Q87. Mr Wannenburgh:** Okay. So, for instance, the slot machines in the Kursaal?

1355 **Mr Brennan:** The slot machines in the Kursaal are exactly the same thing. There is a testing standard that is required for those machines, whether it is in the Kursaal, whether it is in a pub or whether it is in a bookmaker's, they have all got a test standard that they will need to apply to, and they cannot be deployed without that.

1360 **Q88. Mr Wannenburgh:** Price controls and fixed odds: how would they be regulated?

**Mr Brennan:** In terms of the stake that can go into them?

**Q89. Mr Wannenburgh:** Yes, because there is a cap of £2, I think –

1365 **Mr Brennan:** Yes. So before a machine goes out, we will be getting the test certificate from the operator who has acquired that from the testing house; and the machines are regulated to ensure that they pay out the stake and prize that is within our regulations. So £2, top prize £100, I think that is what it is.

1370 There are other machines that you can get in different jurisdictions where you can pay up to £50 and you can win up to £500. Those machines are outlawed on the Island. We do not have any of those on the Island, where we have got fixed stake and prize. Inspectors will go out, physically, once those machines have been housed – whether it is in the Casino or in any of the pubs – and certify the machine. I think we have got about 250 machines sited in different pubs and places around the Island. In the bigger pubs there is probably the maximum of four machines  
1375 in a pub, with smaller pubs less than that. It is about 250 across the whole of the Island.

**The Chair:** Thank you, Mr Wannenburgh.

We will move on to Part 6, Economic Contribution of the Gambling Sector. Mr Moorhouse.

1380 **Q90. Mr Moorhouse:** Thank you. The first section.

In 2021, the UK Betting and Gaming Council commissioned an analysis of the sector's contribution to the British economy. Has a similar analysis been done for this sector's benefit to the local economy?

1385 **Mr Brennan:** It is probably a question for the Department for Enterprise rather than the regulatory authority. They have a limit on the financial information that I can offer, which I think I have probably covered off in there. So I can tell you how much we get in fees, or how much in fees is paid to Treasury. I can tell you how much in gambling duty is paid to Treasury, and I can tell you what the GDP is for the sector. But in terms of employment tax, National Insurance and the multiplier effect of the sector on the economy, that is more for the Department for Enterprise.

**Q91. Mr Moorhouse:** And is that data showing a positive trend or is it very variable?

1395 **Mr Brennan:** The data for – ?

**Mr Moorhouse:** The data you referred to, which you could give us if we had more time –

1400 **Mr Brennan:** In section 3 of the paper I gave to you, you will see the licence fees are going up, which would be in line with the discussion we have had about licence numbers going up.

You will see that gambling duty has fallen in 2019-2020 compared to the previous year. That is attributable to one of our sizeable operators domiciling its players – but not its operations – to a different jurisdiction, and therefore the duty on the play was reduced because the play was then recorded in a different jurisdiction.

1405 The GDP of the last two years is largely static and 2021 is yet to be declared. For my part just  
looking at this and knowing what the make-up of our operators is within the sector, I still see there  
is steady growth coming in terms of the numbers. That will be reflected in the licence fees. And I  
am aware that employment is increasing because of the number of operators that are coming,  
and the number of staff that I am losing.

1410

**Mr Moorhouse:** Thank you for that detail.

**Mr Allen:** There are large numbers of people coming and relocating to operators on the Island.  
Physical substance, we have no real influence over. So physical substance, we are just very happy  
to see it increase.

1415

**Q92. Mr Moorhouse:** There has been one really positive aspect of today's meeting, that you  
have spoken about the growth and the increase. In 2019 there seemed to be a lot more reference  
to the word 'churn' and it seemed to be an industry that was changing, and we were not quite  
sure. We were up on the figures, but where were we going – ?

1420

**Mr Brennan:** Yes. I mentioned that we did a review of the types of licence that we can offer,  
and the introduction of a software licence and the controls and the checks that we put around  
that – but also the credibility it gives the operator possessing that licence. I think that has been  
really quite a successful introduction into the estate.

1425

It was a much chased-after licence, we were being asked for it for a number of years before  
we eventually launched it. Other jurisdictions offer a similar type of licence as well. As I say, it is  
one of our more popular licences, I think I said we have got about 27 from a standing start in three  
years, and it still remains popular.

1430

**Mr Allen:** I think it is also a maturity in the whole sector worldwide. The Isle of Man is seen as  
a desirable place to be, and that is being reflected by more mature businesses coming here, and  
people who are looking to base large parts of their business here, which is very satisfying really.

Obviously there are contributions from businesses that are run elsewhere but based here. But  
from our perspective, we would all like to see employment here and the economy growing and  
the people coming, and all the rest of it.

1435

**Q93. Mr Moorhouse:** In terms of the software licence, it does suggest there is more hands-on  
work being done here, more actual processing of things.

1440

Is that the case or is it just an assumption?

**Mr Brennan:** Not quite the case. I think it is no secret that we have got some very large  
gambling software companies on the Island, but in the business of gambling software there are  
some very large companies elsewhere.

1445

What is popular and what we do see, is what we would call a reseller. A huge company might  
not necessarily want to deal with every little, small start-up company to sell its software to, so a  
reseller will step in between and they will source the gambling software from company A, and  
company B, and company C, and offer a much broader software offering. They will be able to then  
form relationships with some of the operators who are offering that software to the customers.

1450

So they aggregate all of the software together, from either the big companies or lots of small  
companies, and then they obtain our licence and then start selling that software to smaller  
operators. So there is not necessarily the development of the software on the Island, but the  
aggregation and the ability to then create those links with the businesses is on the Island.

**Mr Allen:** It is not to say there are not companies that are developing software here ...

1455

**Mr Brennan:** No, absolutely, certainly there are some really large operators in the gambling space who are based on the Isle of Man, offering software. *(Interjection by Mr Allen)*

1460 **Q94. Mr Moorhouse:** Since 2019 there have been lots of mergers in the industry. Does that present you with any problems when you are dealing with bigger entities? Or are there advantages there?

1465 **Mr Brennan:** We have probably been impacted by two or three mergers for entities that we have licensed; and we have seen some small operators that we have licensed who have been merged with businesses elsewhere that have left as a result of that. It is really just part of the wear-and-tear of being in this sector, I would guess. And particularly in a sector where there is good business development opportunity, you will see some of the bigger or equally sized players coming together, to try and create themselves into that main player within the sector.

1470 **Q95. Mr Moorhouse:** Does it create any issues for you in terms of there being multiple jurisdictions where one firm is operating? Or is that just the nature of the game?

1475 **Mr Brennan:** Part of the nature of the game. I think it is probably more of a headache for the operator than it is for the regulator. From a regulatory perspective, we have got the opportunity to talk to a colleague about any issue that we see, to see if they see it – bearing in mind terms and conditions, and regulatory frameworks and things, are different by jurisdiction, even for the same operator. But if we do have an issue – and we have done this in the past, where we have had an issue with one of our licence holders – and if they have a licence elsewhere, then we would talk to our regulatory colleagues and, likewise, they talk to us.

1480 **Mr Allen:** Our focus is on what *our* operator does in *our* jurisdiction. *(Mr Brennan: Yes.)* That is all we can be held accountable for. But we share intelligence where we think it is appropriate and we receive intelligence ... *(Mr Brennan: Yes, sure.)*

1485 Is it more complicated? Not really, no. *(Laughter)* It is probably an advantage in a way for some things.

**Mr Brennan:** It is part of the nature of the business that we are in and the globalisation of that.

1490 **Q96. Mr Moorhouse:** My final question is really linking to that change in optimism that you are showing compared with 2019. Is the sector really now an established sector and you see it going from strength to strength, and there have been real opportunities here? Or are there still fears there?

1495 **Mr Brennan:** I do not think there are fears; I do not think there have ever been fears. I think there is a view that the business can, at the flick of a switch, go elsewhere. The truth of the matter is businesses can flick a switch, and some businesses go elsewhere, but when you are employing people and you have got premises ... It is just an established business that is on the Island, and it is as difficult to move as any other business.

1500 I have never really been overly concerned about business flight, because it is easy. I think some of the businesses we have got are really quite sticky to the Isle of Man; and like I said earlier in the discussion, I think we have had some licence holders here since 2007. So it does show that there is a certain longevity to some of the businesses being established here. And as Jon mentioned, it does still remain a popular licence for some businesses to obtain.

1505 **Mr Allen:** Yes, you think at some point it is such a cluttered marketplace that people would stop risking their money, so you get less applicants. But that is not happening. People always think they have got an edge; that is the nature of the game. And also there are businesses that are



outgrowing where they might start, and look for a better place to operate because they want to move up the value chain and we are ...

1510

**Mr Brennan:** Just to add to that point, the Isle of Man Government stability is really quite attractive. We are seeing businesses coming out of other jurisdictions where that stability is not there and therefore they do not get the same level of business certainty as they do over here.

1515 So business certainty is one of the requirements that we see people coming over to the Island for, from different jurisdictions, and that is generated by stability that they ...

**Mr Allen:** Even though it is more expensive to operate here, our scrutiny is greater ...

1520 **Mr Brennan:** But the certainty that the tax is not going to change overnight, or there is a whole total change of Government which upsets the framework, or there is an evaluation that has not gone the right way, which has created a business cost ... As a jurisdiction I think we navigate on a fairly even keel all the time.

For our sector, in particular, where there are volatile jurisdictions that offer licensing, stability is an attraction.

1525

**Q97. Mr Moorhouse:** Just thinking into that, do you feel that the Department for Enterprise is really doing a good job? From what you have said previously, it does sound like you are happy. Do you feel it could do better, or are they really doing it as they should?

1530 **Mr Brennan:** My personal relationship with the Department for Enterprise is a really good one. They are supportive and we have a lot of dialogue. There is a lot of engagement because both the Department for Enterprise and the GSC ... The last thing that we want is for business to come to us and expend cash starting down the journey, only to find it is not going to fit. So we work really quite closely to make sure we all understand what the parameters are that will allow a business to fit within the Isle of Man.

1535

Let's not have anyone waste their time and effort and then say ... that they in any way have a negative view of the Island. You come because you *will* fit; you do not come and find out if you *can* fit – I think is probably the best way to look at that. And in order to make sure that approach is maintained, we do have a very close working relationship with the Department for Enterprise and it has worked out really well, I have to say.

1540

**Mr Allen:** I think the Department for Enterprise is one part of it.

1545 The Island is doing very well, as a whole, in marketing and maintaining us as the level of jurisdiction that we are ... Not everybody comes through the Department for Enterprise. We have very good corporate service providers who have a huge presence now in the gaming sector, as advisers and consultants and things. So it is an overall package.

We do our little bit at the back-end; we try and make sure our objective is to get as much really good business as we can. We do not want bad business; we just want more good business.

1550

**Q98. The Chair:** Thank you. Any other questions? (**Mr Wannenburg:** No.)

This is not part of Part 6, it is something that actually we drew up just before we came here today. During the General Election of 2021, could you confirm if twentyfourkeys.com had a licence for the online betting options on their website?

1555

**Mr Brennan:** I can confirm it did not.

**Q99. The Chair:** It did not.

How were you made aware of twentyfourkeys.com during this time?

1560 **Mr Brennan:** An awareness through social media, and we had dialogue with another Department, whose name escapes me at the moment. I cannot quite recall if it came through the Department for Enterprise or the Constabulary, but we had dialogue with them.

1565 We investigated TwentyFourKeys to establish whether or not it was offering a gambling service from the Isle of Man, which would attract a licence. From the information that we were able to obtain there was no evidence to suggest that there was any gambling activity that attracted a licence taking place on the Isle of Man. It looked like an offshore operation which Isle of Man citizens had the opportunity to bet on. That is not an unusual situation. I think of any big UK high-street bookmaker: none of them are here, everyone can play on them, and it was no different.

1570 Our interest was, were they offering gambling services that breached our legislation, from the Island? Our conclusion, based on the information that we were able to obtain, was no.

**Q100. The Chair:** Okay, thank you.

Do you regulate social media gambling where the businesses *are* located here on the Island?

1575 **Mr Brennan:** Again, it is having a look at whether that activity is taking place on the Isle of Man. So if it is brought to our attention – but we cannot monitor all social media ... Whenever it is brought to our attention we will have a look at that, and if we see anything then we will do a cease-and-desist in the first instance.

**Q101. The Chair:** Is it easy to identify if they are located here?

1580 **Mr Brennan:** No, not at all. It can be difficult.

1585 So again we would be looking at the activity and where that activity is taking place. Social media: not much of *that* is located on the Isle of Man, but the people might be located on the Isle of Man, or the prize might be located on the Isle of Man. But they are not necessarily the things that would attract a licence.

We have to look at the structure that is being offered and say: where does the licensing activity sit? And if it is not sitting on the Island, then our work is done.

**Q102. The Chair:** Okay, thank you very much. That brings us to the end of our questions.

1590 Before we close, is there anything else that you would like to ... Anything we have not asked you that you would like to raise? You are probably thinking you just want to go out and leave us quickly!

But is there anything else that ...?

1595 **Mr Allen:** Have you got what you wanted from us, is really what I would say? Is this – ?

**Q103. The Chair:** It is a general oral evidence session, so we obviously looked at ... I think it was April 2019 you were here last?

1600 **Mr Brennan:** Different Chairman.

**The Chair:** Different Chairman.

So, yes, you have absolutely answered our questions. Very valuable, thank you very much.

1605 **Mr Brennan:** There is one matter that is still outstanding, which is a response to the penalties for breaking licence conditions, for which I will provide a written response to you –

**The Chair:** Yes, that would be brilliant, thank you.

1610 **Mr Brennan:** Okay. I have got no further questions, thank you.

**The Chair:** No, that is fine, thank you.

Okay, thank you very much, gentlemen. That is it. The Committee will now sit in private.

*The Committee sat in private at 4.29 p.m.*