



**Article**

## **Alderney: Leading Regulated Electronic Gambling**

*Alderney, an Island situated in the Channel Islands, just off the French coast of Normandy, was described as the leader in the field of regulating the electronic gambling industry at the recent Global Internet Gaming Conference held in Toronto. This article attempts to provide some insight into the approach followed by the Alderney Gambling Control Commission in regulating a new form of gambling.*

### **1. Background**

Alderney is the third largest of the Channel Islands, and is 8 miles from France and 60 miles from England. Like Guernsey and Jersey, the island enjoys a mild climate and independence, with its own government and an established off-shore finance and e-commerce sector.

The Channel Islands have never been subject to the British Parliament and have always been self-governing units under direct rule of the Crown acting through the Privy Council, a committee of senior British politicians. According to constitutional custom, the Crown does not interfere in Island politics, save when some vital constitutional change is necessary, and never in local affairs. Bureaucracy barely exists in the Channel Islands and least of all in Alderney. The Island is unique in that, although the UK looks after it in the field of foreign affairs, defence and its association with the European Union, allowing for free trade, the Islands do not form part of the European Economic Community.

Alderney offers a well regulated banking, insurance and investment environment. It has designated territory status under the UK Financial Services Act. It is part of the Bailiwick of Guernsey for purposes of taxation and has a reciprocal agreement with Jersey and the UK. In Alderney there are no Value Added Tax, no tax on capital gains, and no tax on exempt companies carrying on business outside the islands. There is a 20% tax on profits and a 20% tax on income.



Guernsey Telecoms Ltd is responsible for telecommunications and hosting facilities on Alderney. For international network links, Alderney feeds into the Guernsey Telecoms main network on Guernsey from where there are reliable and high capacity links to the UK and France.

## **2. Alderney Gambling Control Commission (AGCC)**

Within the context of the unique position and opportunities that Alderney is able to offer, the States of Alderney, in 1996 already recognised the potential of the Island to host internet gambling. However, it was specifically decided to approach it in a well regulated manner, and as a result introduced the first set of legislation, permitting electronic betting in 1997. Instead of opening its doors for everybody interested in a license, the Island started off in a cautious manner, by placing an initial cap on the maximum number of licenses to be awarded, something that has in recent months been removed.

Following the introduction of online betting, it became evident that it was in the interest of both the Island and the industry to establish an independent, non-political commission to take responsibility for the regulation and control of the industry. This led to establishment of the Alderney Gambling Control Commission (AGCC) in 2000. In appointing the AGCC, the States of Alderney hand picked persons with international experience in the fields of gaming regulation and licensing. The Commission is chaired by John Godfrey, a well known consultant to several regulating bodies. Earlier this year, following the introduction of interactive gaming legislation, the Commission decided to appoint Andre Wilsenach, an experienced regulator from South Africa, as its CEO.

Following the appointment of the Commission, it swiftly developed a regulatory framework of the highest international standard, based on the legislative initiatives taken in Australia as well as the lessons learned from regulating electronic betting in the initial years. In so doing, the Commission succeeded in establishing a framework for achieving its objectives of establishing a well regulated jurisdiction for reputable internet gambling investors, who share in the values of operating according to the highest levels of suitability and integrity, offering games for play that are fair to the public.

With the emphasis on establishing a well regulated internet gambling environment, the Commission succeeded in attracting licensees with a reputation from well respected land based gaming and betting jurisdictions such as Nevada and the UK. Recently, the Commission issued gaming licenses to WagerWorks, a Nevada based systems provider and to Ritz Interactive and Littlewoods, who are well known casino as well as lottery and sport pool operators in the UK.



### 3. Regulatory framework

The regulatory framework of the Commission comprises three main components, namely, licensing, technical compliance and internal controls.

- Licensing

Licensing is the first step that an applicant company must take in the process of “going live” in Alderney. The main objective of this step is to ensure that the company, its shareholders, key personnel and associates and its sources of funding, are suitable.

In order to give effect to this, the applicant company, its directors, key personnel and associates are expected to submit themselves to probity investigations. These investigations are not limited to the applicant company and its key personnel but are also extended to its system provider, if different to the applicant company.

Once a finding of suitability has been made, the applicant company and its key personnel are awarded a license, conditional upon the licensee satisfying the Commission that its system and internal controls applicable to the operation of the business, meet the Commission's approval.

- Technical standards

Alderney was one of the very first, and is still amongst only a few online gambling jurisdictions to have developed a set of technical standards to which the electronic gambling system of a prospective operator is tested. Following the granting of a license, the licensee must submit its internet gambling system to an independent testing authority, accredited by the Commission. Following the approval and certification of a licensee's system, the licensee must submit all material changes to the Commission for approval.

The technical standards applicable to internet gaming systems provide for the security and integrity of the gambling activity, system requirements, interface requirements and player protection. In order to assist applicants and licensees, the Commission has developed a set of standards contained in its *Guidelines for Control System Submissions*, available from the offices of the Commission.

- Internal controls



Prior to commencement of any interactive gambling operations, licensees are also required to produce, and have approved by the Commission, a Control System. Such a Control System will provide for all the internal controls and operating procedures relevant to the day to day running of an internet gambling business. The purpose is to ensure that licensees adhere to sound internal controls and operating procedures, minimizing the risks in areas such as physical security of information, service levels, financial accounting, protection of the player, and money laundering.

In order to assist licensees, guidelines have been prepared by the Commission, which are contained in the *Guidelines for Control System Submissions*, available from the Commission.

Once a licensee is operational, regular and ad hoc audits will be conducted to ensure compliance with the approved technical standards and internal controls.

#### **4. How does Alderney compare**

There are a number of factors distinguishing Alderney from other jurisdictions, regulating the internet gambling industry, namely:

- Commissioners and staff with appropriate licensing and regulatory knowledge and expertise;
- A cautious start, limiting the initial number of licensees, learning from the experience of regulating the electronic betting industry, before regulating interactive gaming;
- A regulatory framework, consisting of technical and operational control standards, was put in place before the industry was invited to apply for licenses;
- Probity investigations with a wide scope, which include system and providers;
- Testing of the internet gaming systems by independent testing houses, accredited by the Commission; in order to ensure high technical standards;
- Well developed guidelines on internal controls and operating procedures, to assist licensees in minimizing risks;



- Cooperation with other gambling regulators in the fields of sharing probity information, protection of minors and providing border control;
- Dialogue with the industry to develop and improve its regulatory framework to be effective and practical; and
- Cooperation with the financial regulatory authorities in the Bailiwick of Guernsey, specifically, in the field of anti-money laundering measures.

### 5. Conclusion

Although the regulated gambling industry is still in its infancy, Alderney has managed to position itself as a leader in the regulation of electronic gambling. Experience in the regulation of land based casinos has shown that it is much easier to start off strict, rather than to try and improve the quality of regulation after the industry has been established.

Considering the nature of its regulatory framework, Alderney has certainly positioned itself well to attract the interest of those electronic casinos and betting operators that are either already used to stringent regulation or interested in migrating to a well regulated jurisdiction.

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