




# **AML/CFT Supervision Methodology & Inspection Procedures Online Gambling Operators**

Version 1 – January 2025

**These procedures are effective from  
January 2025**

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# 1. Version Control

Version	Date Published	Comments
1	January 2025	AML/CFT Supervision Methodology & Inspection Procedures, superseding joint procedures with General Supervision policy issued in August 2016.

# 2. Introduction

The Gambling Supervision Commission (GSC) is the regulator that supervises the gambling sectors' compliance with Isle of Man gambling and Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) legislation and regulations made under the Online Gambling Regulation Act 2001 (OGRA), associated guidance and licence conditions.

This document describes only the actions that the GSC uses during routine inspections. As AML/CFT or compliance issues emerge or as particular emerging risks dictate, the GSC may formulate responses that fall outside of this guidance.

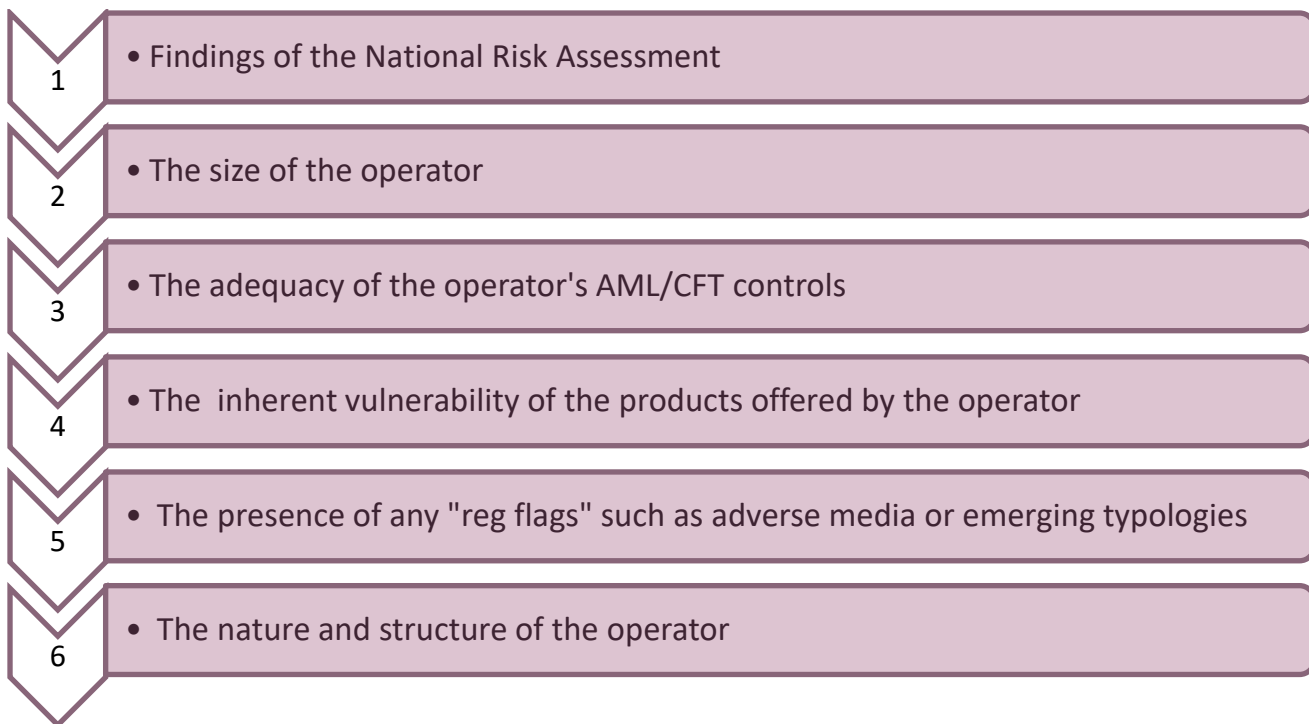
The GSC's obligation to supervise operators for compliance with AML/CFT legislation is contained within the Gambling (Anti-Money Laundering and Countering the Financing of Terrorism) Act 2018 which also contains the power to conduct on-site inspections and investigations (Section 7) and the power to request information to supervise AML/CFT compliance (Section 10). The Act outlines sanctions for non-compliance with any lawful supervisory request.

# 3. The Risk-Based Approach

The Financial Action Task Force (FATF) Recommendations require countries to adopt a risk-based approach to combatting money laundering (ML) and terrorist financing (TF). By adopting a risk-based approach to supervision the GSC is able to effectively and efficiently allocate resources.

The GSC assesses the AML/CFT risks posed by online gambling operators based on the factors below and determines the intensity, frequency and scope of supervision based on that assessment and ongoing compliance performance. The GSC assesses the general compliance risk separately and factors includes financial, fairness and fitness and proprietary risks.

Following any updates in the National Risk Assessment (NRA) or emerging risks and typologies the GSC will update risk assessments to include new factors and will use supervision tools such as thematic inspections and surveys to target supervisory controls at those risks.



## 4. Supervisory Methodology

The GSC employs a risk-based supervisory methodology for online license holders, focusing on AML/CFT risks identified in the areas outlined in Section 3. The supervisory methodology involves the continuous monitoring and recording of operator risks through regulatory returns, information and intelligence, and regular risk assessments of factors like licence type, product risk, customer risk, compliance history, and financial flow information. This drives forward a programme of ongoing AML/CFT supervision and a risk driven inspection programme.

### 4.1 Resources

The AML/CFT Division is a stand-alone division of the GSC made up of AML/CFT Inspection teams, AML/CFT Policy and Outreach team and Enforcement team. Inspection teams are specialised and are split into higher risk and standard risk teams each headed up by a Senior Inspector. Inspectors undergo a programme of induction and ongoing training. In addition to mandatory training on AML risk in Gambling, Inspectors are also provided with professional training in related subjects such as AML, GRC, Sanctions, investigative practice, virtual assets and other topics.

### 4.2 Tools

A range of inspection and investigation tools are utilised for inspections including self-assessments, interviews, information requests, sampling and onsite visits to assess compliance, with the frequency and nature of inspections adjusted based on the operator's risk profile.

The GSC have invested in technology to improve ongoing risk assessments and utilise a tool called Strix, a data collection and risk system, to enhance the ongoing risk assessment process. Strix gives a clearer picture of vulnerabilities and controls in place around specific

risk areas. It complements the risk assessment process but is also used to carry out thematic surveys to inform wider national projects.

### 4.3 Frequency

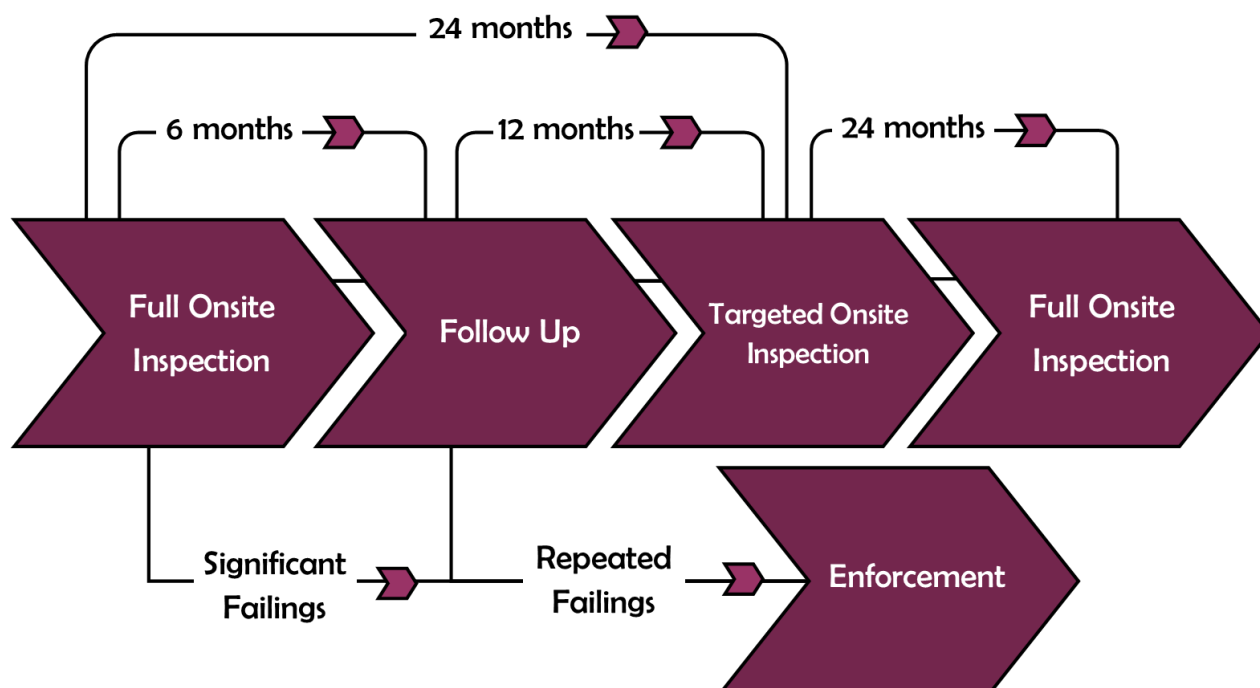
Under the GSC’s supervisory methodology the frequency as well as the nature and scope of inspection is aligned with the operator’s risk profile. Ongoing AML/CFT supervision is carried out through regulatory AML/CFT returns provided quarterly, annual AML returns and thematic surveys. Ongoing monitoring systems, complaints, whistleblowing and intelligence conduits provide triggers for ad hoc or unscheduled inspections or increase risk ratings which may lead to more frequent and greater scope inspections.

Table 1.1 Standard Inspection Frequency

Risk Rating	Initial Inspection	Ongoing Inspection
Low	12 Months	60 Months
Medium	12 Months	48 Months
Medium High	9 Months	36 Months
High	9 Months	24 Months

Type and scope of inspections alongside thematic inspections can be varied within the given frequency. As an example, following an initial inspection a high-risk operator with significant but non-material failings may be subject to a follow-up inspection within a short period of time, targeting the areas of deficiency. Where there are no failings, but the operator remains inherently higher risk the normal inspection schedule will apply but a more targeted inspection would be carried out in 24 months then a full inspection in the next 24 months.

#### Example High Risk Inspection Cycle



#### **4.4 Inspection Outcomes**

Following any inspection, the outcome will be fed back into the risk assessment. Positive compliance outcomes will often result in a lowering of risk scores leading to a less intensive supervision cycle. When operators are flagged for higher risk, they will undergo enhanced monitoring, including more frequent scrutiny and inspections.

In cases where risks are severe or unresolved, the GSC can take enforcement actions such as suspension, revocation, or the issuance of civil penalties. The methodology aims to encourage compliance and mitigate risks through a clear nexus between risk and supervision with clear remediation expectations and potential sanctions if non-compliance continues. Risk assessments and enforcement decisions are carefully recorded and managed in line with the supervisory methodology.

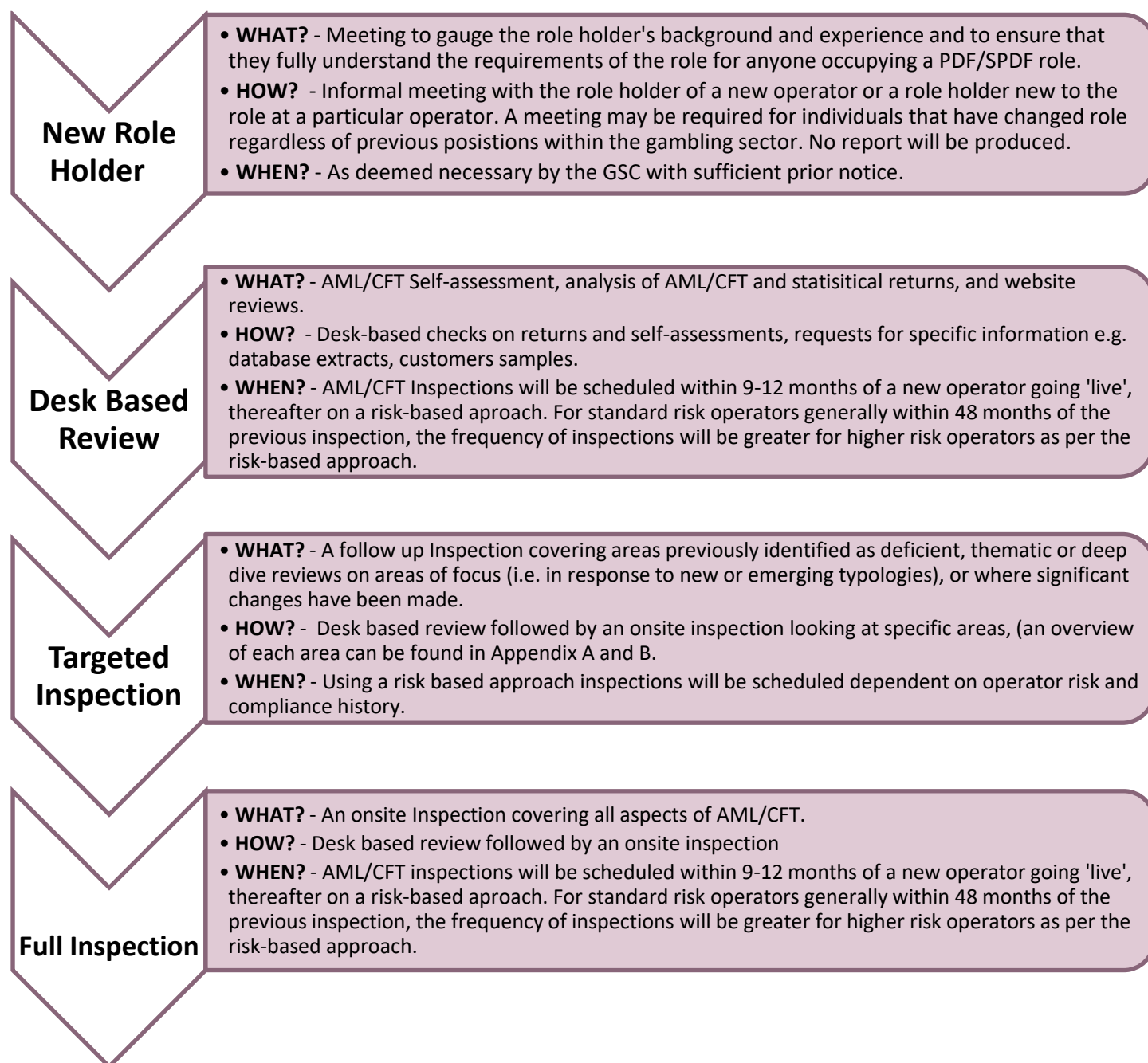
Outcomes of inspection and enforcement activities are used to drive forward outreach programmes and policy and legislation changes.

## 5. Oversight Methods

The GSC supervises AML/CFT compliance through a combination of self-assessments and on-site reviews. Desk-based reviews of self-assessments and any documents provided allow the GSC to assess an operator's policy and process. On-site activities include inspections carried out by a visit to operators' premises, customer sampling and face-to-face meetings.

On-site AML/CFT inspections may be scheduled or targeted/thematic inspections depending on the risk assessment of the operator, the time since the latest AML/CFT visit, the date of the next scheduled visit, and the availability of the GSC's Inspectors.

Types of inspection:



## Inspection Process

Supervisory AML/CFT inspections will be made up of three parts:

- A self-assessment that will be subject to a desk-based review for which the GSC will request information upfront about processes and systems along with a database samples and customer documentation;
- An onsite visit where checks may be carried out on how those processes and systems are operated. Full access to the Operators backoffice and live customer accounts will be required, and demonstrations will be sought to ensure that the systems are functioning as they should; and
- A further period in which the visit report is drafted and any queries resolved.

### 6.1 Pre-Inspection

Wherever possible, the GSC Inspectors will contact operators at least six to eight weeks prior to arrange a mutually agreeable time to schedule an AML/CFT inspection. Various documents and information will be required ahead of the on-site inspection.

Supplying the requested pre-inspection information on time allows the GSC to perform any desk-based elements ahead of the onsite portion. If this information is late and the GSC is unable to complete these checks then it is possible the inspection will be delayed, or the MLRO/OM will be asked to perform the extract during the inspection itself.

The law expects that licensees are both willing and able to combat money laundering and terrorism and to be compliant with legislation, a licensee that is late supplying information may be asked to formally explain the underlying reasons why it cannot supply information on time. It is important that if the inability to supply arises from uncertainty over what the GSC requires, the GSC must be contacted immediately.

A list of the AML/CFT documentation and information that could be provided along with the self-assessment is provided at Appendix A. This list is not exhaustive, and operators can utilise other means to demonstrate compliance, however, in most cases the list outlines the GSC's minimum expectations for demonstration compliance in that area.

A list of the information to be included in database samples/extracts is provided at Appendix C.

**IMPORTANT:** Please note that additional documentation or information may be requested (particularly those operators providing bespoke rather than retail products and services).



## 6.2 Self-assessment

At licensing and as part of the inspection process operators will be issued with an AML/CFT self-assessment template. Operators can complete these prior to inspection to utilise as a basic audit tool however this must be completed or updated prior to an inspection. The self-assessment process can be used as a stand-alone method of supervision assessing technical compliance where operator risk is deemed very low and will not always form part of an onsite inspection. The template is split into supervisory areas which outline what the GSC's requirement is, the source of that requirement, (legislation, guidance or licence condition), and operator self-assessment in that area. When completing a self-assessment and reference is being made to a document or piece of evidence, appropriate citation of the section and or page of the document should be made in the self-assessment, failure to do so may result in the rejection and return of the self-assessment to be completed to an acceptable standard.

Information and evidence provided as part of self-assessments will be scrutinised and actions raised, with given timeframes to be completed, where any deficiencies are found. Any areas marked as partially met or not met should be accompanied by remediation plans for ensuring that area is brought into compliance. The self-assessment will also be used to inform any onsite inspection where technical process will be checked in practice. For operators who have already completed a self-assessment, subsequent assessments will consist of an update to the information provided.

The diagram shows a self-assessment template for AML1 Business Risk Assessment. It is structured as follows:

- AML1** (Supervisory Area)
- RISK-BASED APPROACH** (Overall Approach)
- RISK-BASED** (Assessment Method)
- AML1.1 Business Risk Assessment** (Specific Assessment Area)
- OPERATOR TO COMPLETE** (Section for operator input)

The table below represents the data from the template:

REF	APPLIES TO	REQUIREMENT	DOCUMENT REFERENCE(S)	SELF-ASSESSMENT	COMMENTS	GSC ASSESSMENT	GSC COMMENTS	REMI
AML1.1.1	ALL	Gambling (AML/CFT) Code 2019, Paragraph 6  (1) An operator must carry out an assessment (a "business risk assessment") that estimates the risk of ML/FT posed by the operator's business and customers.	A1, section 1.1.1	Partially met	Met a, not met b and c. Plans going forward are to .....	Partially met	Met a, not met b and c	A
AML1.1.2	ALL	Gambling (AML/CFT) Code 2019, Paragraph 6  (2) The business risk assessment must be—  (a) undertaken as soon as reasonably practicable after the operator commences business; (b) recorded in order to be able to demonstrate its basis; and (c) Regularly reviewed (details of any review must be						

Callouts in the diagram explain the following fields:

- Some criteria is not relevant for all operators e.g. those who do not register players directly, this will be indicated here.** (Points to the 'APPLIES TO' column)
- An outline of the requirement and it's basis ie legislation, regulation, policy, licence condition.** (Points to the 'REQUIREMENT' column)
- Reference to the document and specific document section, provided to support technical compliance with the requirement. All documents to be listed** (Points to the 'DOCUMENT REFERENCE(S)' column)
- Self-assessment of how you meet the requirement. Met, Partially Met, Not Met or Not Applicable.** (Points to the 'SELF-ASSESSMENT' column)
- Explanation of how the requirement is met, partially met, not met or not applicable. Include as much information as possible as to how the area is met, if partially met or not met include remediation plans. If not applicable explain why it does not apply.** (Points to the 'COMMENTS' column)
- Grey area for GSC use only, no text is required in this area.** (Points to the 'GSC ASSESSMENT', 'GSC COMMENTS', and 'REMI' columns)

## **6.3 On-site Inspection**

At least one Director and the Designated Official or Operations Manager should be present at the inspection. The Money Laundering Reporting Officer (MLRO) or the Deputy MLRO and AML/CFT Officer should be present for any on-site AML/CFT inspection. If for any reason this is not possible, please contact the GSC at the earliest opportunity so that alternative arrangements can be made.

Full access to the Operator's backoffice and live customer accounts will be used to sample the customer journey whilst on site.

The GSC's Inspectors will require a private room or convenient area to operate. During the inspection the Inspectors will ask questions and request demonstrations of an operator's systems.

A list of example on-site type checks can be found at Appendix C.

## **6.4 Post-Onsite Inspection**

Shortly after the on-site inspection the Inspectorate will issue a post onsite request for copies of documents / information identified during the onsite inspection in order to continue to test compliance and resolve areas of query.

Following the analysis of the post on-site information a draft inspection report will be sent out which marks the end of the inspection. The report will set out:

- the topics covered;
- a brief overview of the responses provided;
- any observations; and
- any areas noted as deficient and, where appropriate, actions required to address any deficiencies.

Operators will be invited to comment on the factual accuracy of the report in order for the GSC to take any comments into consideration before issuing a final report.

The report findings plus completion of any actions arising from the inspection will be taken into account in the GSC's risk-based approach to supervision (please see Section 2 of this document for further detail).

# Appendix A: AML/CFT Self-assessment Documents

## 1. PROCEDURES

Where the various procedures listed below are included within an AML/CFT Manual please provide the entire manual and indicate the relevant page/section numbers in the self-assessment.

Procedure	Full AML/CFT Inspection	Thematic/Follow-Up <sup>1</sup> (by AML/CFT topic)									
		Risk-based Approach	Customer Due Diligence (CDD)	Politically Exposed Persons / Sanctions	Enhanced Due Diligence (EDD)	Ongoing Monitoring	Record Keeping	MLRO	SAR Reporting	Staff Vetting & Training	Compliance Culture
Procedure for risk-assessing (for AML/CFT) new or developing technologies.	X	X									
Procedure for risk assessing customers.	X	X									
Procedures or guidance issued to staff <sup>2</sup> regarding anonymous or fictitious accounts.	X		X								
Procedures that set out the CDD requirements for new registrations / initial deposits.	X		X								
Procedures that set out the CDD requirements for business participants.	X		X								
Procedures that set out the CDD requirements in relation to qualifying payments.	X		X								
Procedures that explain how sanctioned individuals are detected and what actions are to be executed once sanctioned individuals have been identified.	X			X							

<sup>1</sup> Ahead of a thematic or follow up inspection, Operators will be advised which AML/CFT topics are to be covered during the inspection. Please provide all documentation and information required for the applicable topics.

<sup>2</sup> Please note that 'staff' is used to describe all directors, or all other persons involved in its management, all key staff and all appropriate employees and workers.

Procedure	Full AML/CFT Inspection	Thematic/Follow-Up <sup>1</sup> (by AML/CFT topic)									
		Risk-based Approach	Customer Due Diligence (CDD)	Politically Exposed Persons / Sanctions	Enhanced Due Diligence (EDD)	Ongoing Monitoring	Record Keeping	MLRO	SAR Reporting	Staff Vetting & Training	Compliance Culture
Procedures that explain how PEPs are detected and what actions are to be executed once PEPs have been identified.	X			X							
Procedure for carrying out enhanced due diligence on higher risk players.	X				X						
Transaction monitoring procedures including any rules/logic used to identify changes in player patterns, values, etc.	X					X					
Procedures for reporting suspicious activity.	X								X		
Staff vetting procedures.	X									X	

## 2. OTHER INFORMATION / DOCUMENTATION

Information / Documentation	Full AML/CFT Inspection	Thematic/Follow-Up <sup>3</sup> (by AML/CFT topic)									
		Risk-based Approach	Customer Due Diligence (CDD)	Politically Exposed Persons / Sanctions	Enhanced Due Diligence (EDD)	Ongoing Monitoring	Record Keeping	MLRO	SAR Reporting	Staff Vetting & Training	Compliance Culture
Up-to-date terms and conditions highlighting those elements which explain to customers what your terms are for AML/CFT matters.	X										
If any AML/CFT records (spanning all 10 AML/CFT topics) are held off Island, please provide a copy of the Service Level Agreements between the Company and the Service Provider.	X										
Minutes from any recent board meetings in which business risks were discussed.	X	X									
An up-to-date risk assessment of your own business.	X	X									
Any recent completed new/developing technology risk assessments.	X	X									
Copy of your player database, or an extract of 1000 players if your database is greater than 1000 players. (to include the information listed at Appendix C)	X		X								
A list of the jurisdictions which you consider higher risk for the purposes of ML/TF risk.	X	X									
Internal and External SAR registers. Register of Enquires from competent authorities.	X								X		
Staff AML/CFT training records (induction and refresher training).	X									X	

<sup>3</sup> Ahead of a thematic or follow up inspection Operators will be advised which AML/CFT topics are to be covered during the inspection. Please provide all documentation and information required for the applicable topics.

Information / Documentation	Full AML/CFT Inspection	Thematic/Follow-Up <sup>3</sup> (by AML/CFT topic)									
		Risk-based Approach	Customer Due Diligence (CDD)	Politically Exposed Persons / Sanctions	Enhanced Due Diligence (EDD)	Ongoing Monitoring	Record Keeping	MLRO	SAR Reporting	Staff Vetting & Training	Compliance Culture
Training materials or notes used for staff AML/CFT training.	X									X	
Example of internal training materials used to assist staff with meeting AML/CFT requirements based on the specific systems that they use.	X									X	
Whistle-blower policy.	X										X
List of compliance resources available and whether they work full or part-time on AML/CFT matters.	X										X
Up-to-date organisational structure.	X										X
Overview of the process to evaluate the effectiveness of your organisations AML/CFT processes.	X										X
A record of recent AML/CFT effectiveness checks undertaken.	X										X

## Appendix B: Database Sampling

OGRA
User ID (not real name)
Email Address
Full name
Residential address
Date of birth
Place of birth & Nationality (if recorded)
Initial AML/CFT risk rating
Current AML/CFT risk rating
PEP status
Sanctions status
Account status (e.g. active, inactive, prospective)
CDD status (e.g. electronically verified, CDD documents held, unverified)
Account balance (confirming the currency)
Date of registration
Date of first deposit
Total Deposits
Total Withdrawals
Net Deposits (Deposits minus Withdrawals)
Total P&L
Number of deposit methods used

Network Services
Network Partner Agreements
Full Name
Registered Address
Account status (e.g. active, inactive, prospective)
CDD status (e.g. electronically verified, CDD documents held, unverified)

## Appendix C: Example on-site checks

During an on-site inspection operators may be required to:

Run reports to highlight customers that have exceeded the qualifying payment threshold.
Run reports to highlight customers that have lost significant sums.
Run reports to highlight customers that deposit significant sums.
Demonstrate customer risk assessments are carried out, the basis of the risk score and how risk is adjusted through ongoing monitoring.
Provide a demonstration of how the system/process identifies and deals with politically exposed persons or sanctioned individuals.
Provide a demonstration of how the system/process handles registrations from certain jurisdictions.
Provide the CDD files of a business participant, preferably one that includes a complex structure.
Open test accounts.
Supply the identification details of a selection of players showing their risk assessment history, their identification details and their compliance history.
Demonstrate the transaction monitoring system/process.
Provide some recent cases where ongoing monitoring has identified unusual patterns or behaviour.
Provide copies of internal and external disclosures log and demonstrate the investigation undertaken regarding a sample of disclosures.
Demonstrate no play is possible on a limited account.
Demonstrate self-exclusion of an account.
Demonstrate how the licensee has used its best endeavours to ensure business to business relationships with an entity that is not licensed by the Isle of Man Gambling Supervision Commission adhere to the Gambling Supervision Commission core principles.
The GSC Inspectors may wish to speak to members of staff on the day to assess their understanding of internal policies and training requirements in relation to AML/CFT.