



STRATEGY FOR THE SUPERVISION AND INSPECTION OF GAMING IN SPAIN

Control of changes to the document

Date	Versio	Description
27/02/20	1.0	Initial version
20/04/20 13	2.0	Inclusion of point 2, which clarifies the scope of application of the supervision strategy contained in the document.

1. Introduction

The mission of the Directorate General for the Regulation of Gambling (DGOJ) is to ensure compliance with current legislation on the running and operation of online gaming activities and games subject to regulations in Spain. Article 24.1 of Law 13/2011 on the regulation of gaming defines inspection and supervision tasks and determines that, to guarantee what is laid down therein, the Directorate General for the Regulation of Gambling shall conduct audits and supervise, inspect and control every administrative, financial, procedural, technical, computer-related, telematic and documentary aspect and standard related to the development of activities envisaged by the law. Likewise, two of its main tasks will be to investigate and prosecute illegal gaming.

2. Scope of application

This document develops the supervision and inspection strategy for unregulated gaming.

With regard to the entities authorized by Additional Provision One to commercialize reserved lottery games in Spain, namely the publicly owned National Lottery and Betting Organization (SELAE) and the National Organization for Blind People in Spain (ONCE):

- The DGOJ has established a collaboration protocol with SELAE in order to fulfil the legal mandate established in Law 13/2011.
- Regarding ONCE, Section 3 of the additional provision two of Law 13/2011 establishes that:

“In order to maintain strict public control over the gaming activities of ONCE, the powers granted by this Law to the National Gaming Commission and to the Ministry of Economy and Finance in relation to reserved activities shall be exercised in relation to ONCE by the



Council of the Protectorate, with the exception of those that correspond to the Council of Ministers”.

3. Supervision and inspection strategy

The DGOJ combines two approaches in its strategy for supervising the Spanish gaming sector: continuous “remote” supervision and periodic inspections of operators on the one hand, and the promotion of voluntary compliance by companies on the other.

The first chiefly consists of analysing the information provided regularly by the operators under supervision, and, where applicable, the certifying entities, in accordance with current legislation. The DGOJ is developing a powerful data processing system and an analysis methodology that allows it to closely track the status of operators and detect, with sufficient speed in most cases, possible risk situations.

Tracking the operators, to a reasonable extent, is one of the most important activities for participants in gaming activities carried out by the DGOJ. Its purpose is to ensure compliance with the requirements set forth in the legislation and, as far as possible, anticipate and promote actions to correct situations that could lead to damages for participants in gaming activities or negatively affect public confidence in the operators of the sector.

Likewise, the DGOJ will promote voluntary compliance with the requirements by creating an atmosphere which gives members of the regulated community clear incentives for complying with the legislation. The compliance strategy is based on developing of a series of activities which include obtaining, distributing and exchanging information related to compliance with the legislation.

The DGOJ shall undertake various kinds of activities to promote the compliance of the operators: providing support to operators to help them meet legal requirements, the conditions of their licence and any applicable codes of conduct. It can also conduct a one-time assessment to analyse the compliance of a certain operator, in order to confirm that it is carrying out its activities in a manner consistent with the objectives stated when the licence was granted. These assessments shall allow the DGOJ to promote good practices among operators, leading to continual improvement of their processes and procedures. The analysis methodology is based on assessing the probability of risk posed by the operators and the possible impact of the risks on the objectives established by law.

Furthermore, the DGOJ shall pay special attention to the procedures put into place by the operators for investigating and processing the complaints of participants in gaming activities, and this shall be an essential element of the supervision and inspection strategy.



4. Objectives and instruments

The ultimate goal of gaming legislation is to ensure the protection of minors and of persons with problems related to gambling, and safeguard the rights of participants in gaming activities. Likewise it is important to ensure market integrity, making sure that the games offered meet regulations and prohibiting unauthorised gaming.

For maximum efficiency, the DGOJ's supervision and control activities are guided by a continual analysis of risks, both those arising from gaming activities and those of each operator. The action programme is designed based on this risk assessment.

Risks associated with gaming	
Objectives	Instruments
R1. Underage gaming. Gaming by self-excluded persons.	
The regulation prohibits underage gaming and gaming by self-excluded persons and to this end establishes the obligation to previously identify and verify the participant and to control access to gaming.	
Controlling the access of minors and self-excluded persons	Prior verification of the participant and access control It is the operator's obligation to verify the identity of the participants and ensure that they are not registered in the DGOJ's register of excluded persons before activating the user registration and allowing them to make deposits, gamble or collect prizes. (Due to technical reasons, there are two exceptions: (1) for activities involving contests held via text message, verification is carried out upon paying prizes, and (2) in the case of non-resident participants with no DNI or NIE, the verification is documentary and the operator may complete it within one month) Accounting of the details of the User Registration in the Monitoring System The historical detail of the transactions in the User Registration (additions, deposits, participations and prizes) must be posted daily to the ICS available to the DGOJ, allowing it to closely track compliance.
Controlling access of linked persons and other prohibitions regarding individuals established in Article 6.2 of Law 13/2011	The detailed information of the user registration held by the DGOJ allows it to check for compliance with the prohibitions regarding individuals



R2. Fair, honest and responsible gaming	
<p>The operator must ensure</p> <ul style="list-style-type: none"> - the integrity of the games - the transparency of lotteries and events - authenticity and the calculation of the bets and payment of prizes <p>Certain specific precautions are established related to responsible gaming:</p> <ul style="list-style-type: none"> - The ability of the player to limit their deposits - Prohibition on loans to players or between players 	<p>Operators' technical systems must meet a series of technical and security requirements to ensure fairness. The procedure for approving systems performed during the licensing process and again for any substantial changes to the system and through periodic audits allows operator compliance to be assessed.</p> <p>The activity data in the ICS allow certain variables to be tracked remotely (RTP, identity of the participants and the prizes, ...)</p> <p>Operators must keep a log of all operations undertaken in their systems (complete record of the games, incidents in the games, ...), making a detailed analysis possible if necessary.</p>
<p>All connections established from Spanish territory must be redirected to the gaming website in Spain</p>	<p>The DGOJ shall investigate and supervise the compliance of the actions in the gaming system as a mystery shopper</p>
<p>Transparency in the market</p>	<p>The DGOJ supervises and ensures that the games offered adhere to the limits established in the regulation and that the games are run according to the basic gaming regulations.</p> <p>The games offered and the details regarding compliance are analysed during the approval procedure.</p>
R3. Player security	
<p>The operator must establish a streamlined procedure for resolving user complaints.</p> <p>The operator must provide the player with complete information on bets, pay tables, events and record of games</p>	<p>The DGOJ has established a procedure for addressing users' reports or complaints</p>
<p>Technical security requirements that ensure the integrity, confidentiality and availability of information</p>	<p>The security measures implemented by the operator are audited during the process of approving the technical system and every two years thereafter.</p>
<p>The operator must ensure that the funds are used in a strictly professional manner.</p>	<p>Players' deposits in gaming accounts must be kept in an account opened with a bank in Spain.</p> <p>The DGOJ shall periodically supervise compliance with this obligation by requiring information from operators.</p>
<p>Personal data protection:</p> <ul style="list-style-type: none"> - Operators must establish appropriate procedures in accordance with the LOPD (Law 15/1999) 	<p>Operators must implement the security measures established in data protection regulations in their files and data processing. In the initial procedure for approving systems performed during the licensing process, these operator security measures are evaluated by the AEPD. Every two years operators are subjected to a system security audit.</p>
<p>Advertising and promotion</p>	<p>Until regulations regarding advertising are developed, the criteria the DGOJ shall use to evaluate compliance are contained in the code of conduct for communications marketing gaming activities.</p>
R4. Criminal activities	
<p>Money laundering.</p> <p>Gaming activities as coverage for</p>	<p>Gaming operators are entities bound by anti-money laundering legislation and legislation preventing terrorist financing, and therefore must adopt the control mechanisms established by anti-money laundering regulations. Criminal activities are</p>



investigated in two areas: (a) That of the operator (b) That of the players	money laundering activities fall under the responsibility of SEPBLAC, but it is the DGOJ's responsibility to collaborate with SEPBLAC and ensure compliance with the legislation. The main mechanisms for collaboration with the SEPBLAC are: - During the licensing procedure, SEPBLAC assesses the applicant: the good repute of the operator and the preventative measures adopted. - In the course of the activities, by analysing the activity data reported by the operators to the DGOJ.
Problems of identity theft, credit card fraud, theft of personal data, including banking information.	These problems are always present in electronic commerce and are not exclusive to online gaming, and even if companies adopt proper security measures in accordance with the state of technology, their success depends largely on the user knowing the risks and protecting themselves from danger. Operators' technical systems must guarantee the identity of the participants and the security of communications, and the personal data of the participants must be managed in accordance with data protection legislation. The procedure for approving systems carried out during the licensing process and periodic audits allow operator compliance to be assessed.
Fraud in sport	The DGOJ collaborates with the organisations responsible for fraud in sport

5. Courses of action

After analysing the risks and the instruments established in regulations and developed by the DGOJ, the course of action for supervision and inspection for 2013 is the following:

1) Supervision of authorised operators.

I. Assessment of technical solvency

Technical gaming systems are subject to continual approval. The initial of approval of technical systems is currently granted in accordance with the procedure established in Article 8 of Royal Decree 1613/2011, of 14 November, in relation to the technical requirements for gaming activities. During the month of April, the initial approval of the technical systems of 51 operators granted a licence in June 2012 was completed.

After the initial approval, the change management procedure then starts up, meaning that the operator must have a documented change management procedure and submit a quarterly report to the DGOJ on changes made. Any substantial change that affects a critical component of the gaming system is subject to prior approval following the submission of the corresponding certification report.



ii. Supervision of gaming operations.

Supervision of legal gaming is mainly based on analysing information from the gaming activities undertaken in Spain and obtained from various sources:

- Gaming data in the monitoring system (ICS) and related to user registration, participation and prizes.
- Technical, operative and financial information provided by operators to the DGOJ
- Reports from audits conducted
- Information from user reports and complaints received by the DGOJ
- Third party information from reporting requirements

Under this supervision model, it is essential for the DGOJ to have access to quality information that allows it to ensure compliance with a reasonable degree of certainty.

1.- Information in the ICS

To maximise the efficacy of the ICS, the integrity and quality of the data is essential, and therefore it is necessary to continually work to clean them up... It is likewise necessary to continue in 2013 reviewing the quality of the data and contrasting them with the data in the operator's accounting systems.

In addition, integrity verification actions shall be carried out, especially with regards to the user registrations, deposits, participation and prizes.

2.- Financial and economic solvency information

As part of the licensing procedure, an initial assessment of the solvency of the operators is made based on the accounting documents provided. But solvency is a dynamic concept that requires periodic analyses. Therefore the DGOJ shall, within reason, track the solvency of the operators based on the financial information provided by them.

3.- Supervision of the measures applied by the operators to protect the funds of the participants

Every six months the following shall be monitored:

- The daily balances of the player's deposits and the balances of the account opened with bank in Spain.
- Six-monthly cash flow summary



Once the technical systems and the games offered have been assessed during the approval procedure, the analysis of operations is considered especially important, especially for areas not covered by the approval or by the DGOJ's internal reporting system, in particular the obligations related to the user registration and the obligation to redirect connections from Spain to the authorised sites.

2) Prosecution of illegal gaming

Unlicensed operators may not offer gaming activities in Spain. Likewise, they may not advertise, sponsor or promote, in any way, games of luck or chance, nor advertise or promote gaming operators when they lack the corresponding authorisation to advertise contained in the authorisation.

The Directorate General for the Regulation of Gambling, in order to prosecute illegal gaming:

- Continually monitors the market and wields disciplinary powers in order to halt gaming activities that lack due authorisation.
- In the investigation of unauthorised gaming sites and activities, the collaboration of all involved is paramount, especially those involved with methods of payment. During 2013 a streamlined procedure for collaboration with those involved with payment methods shall be developed.
- Monitor for illegal advertising, sponsorship and membership activities undertaken by operators.

During 2013 we shall continue the activities already begun in 2012:

- Creation of a black list of possible unlicensed operators based on in-house investigations, user reports or complaints received.
- Investigation or the corresponding investigation and penalty files

1 In Spain an operator is considered to be offering gaming activities when it caters to the Spanish market. In particular, the following are considered signs of offering gaming activities in Spain: allowing the registration of users **located** in Spain, allowing users located in Spain to play, advertisements in Spanish media or directed toward the Spanish market, offering gaming sites in a language of Spain or offering customer service in Spanish.



6. Implementation of the strategy

For maximum efficiency, the DGOJ's supervision and control activities shall be guided by a continual analysis of risks, both those arising from gaming activities and those of each operator. An action programme, arising from the general control strategies and objectives, shall be designed based on this risk assessment.

For the most effective implementation of the strategy, each operator shall appoint a single representative as a liaison with the directorate general so that any incidents detected may be resolved as quickly as possible.

Translated