

Extracted Information

1 April 2020

GC Findings Letter

2.	LC 7.1.1 Fair and transparent terms and practices Paragraph 1 Paragraph 3 Paragraph 4	Regulation 6 – misleading omissions. We are concerned that a number of test accounts are being used by BetIndex which have been used for live transactions. We witnessed an example during the Assessment where a test account was demonstrated and the ‘owner’ of the stet account was unable to explain why a number of shares had been purchased using that account	Take steps to ensure that your product and its presentation to consumers does not contravene LC 7.1.1 In addition, take steps to ensure that terms and conditions associated with your product do not contravene LC 7.1.1 Please take note of guidance published by the CMA and Gambling Commission.
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Information Required

- Reasoning behind the Bruno Fernandes share purchase on the test account and why it took place
- Profit and Loss Data split by user for the Market Maker account and all Test Accounts that have been used
- Bank statements showing the funds being transferred into the test/Market Maker account

14 April 2020

BetIndex Limited Response to GC Findings Letter 1 April 2020

2. Reasoning behind the Bruno Fernandes share purchase on the test account and why it took place

The account in question is user number 7, owned by [REDACTED]

The Password of that account was shared with the Tech team on 21 November 2019 to troubleshoot a bug that was generating unexpected error messages in the app on that account, but not for other accounts (Please see screenshot Appendix 2.1).

On the basis that the account held no privileged permissions or admin rights, [REDACTED] made the judgment to accept the risk of sharing credentials on this test account in order to expedite resolving an issue that could cause unexpected error messages for customers. On resolution of the bug fix, [REDACTED] failed to update the password to secure the account again.

Inadvertently, the account continued to be used to test in production on from time to time. In one instance, on 24 February 2020 (as noted in the compliance assessment) it appears that the account was used by a member of the QA team to buy 300 shares in Bruno Fernandes for £1689 in total, for these shares to then be sold six minutes later for £1611 before commission. Please see below:

Mon, 24-02-2020 10:12:01 +0000	61940472	Bruno Fernandes	SALE	5.37	300	1611
Mon, 24-02-2020 10:12:01 +0000	61940473	Bruno Fernandes	COMMISSION	0.11	300	32.22
Mon, 24-02-2020 10:06:04 +0000	61940097	Bruno Fernandes	PURCHASE	5.63	300	1689

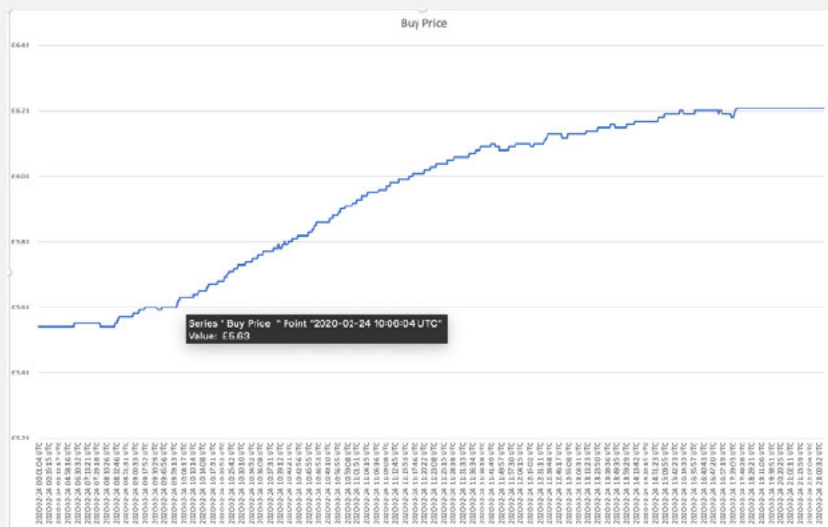
The shares were purchased from BetIndex as newly issued shares as there were no shares of Fernandes listed for sale by other customers at that time. As a test account the transaction does not reflect in CGR or regulatory returns.

The Buy Price of the purchase transaction (£5.63) was the same as the price in the preceding 13 purchases by other customers, and was sustained in the subsequent 8 purchases by other customers. On the ninth subsequent purchase by another customer, the Buy Price increased to £5.64. £5.64 was sustained for four subsequent purchases until the sale transaction by user 7. That transaction did not change the Buy Price either, which remained £5.64 for a further three subsequent purchases by other customers.

The price movement of Fernandes on 24 February 2020 is reflected in the chart below with the time of the purchase highlighted. The X axis of this chart is

Response

plotted against consecutive transactions, and does not interpolate gaps at times where there were no transactions.



This transaction values represented 0.58% of the buys (£289,425) and 1.9% of the sells (£83,190) on Bruno Fernandes on 24 February 2020.

The IP address of the share purchase of the transactions is not identifiable to one of our offices and the ISP appears to be commonly known as one where several VPN services terminate. Due to the fact that several of our QA and tech contractors and employees have moved on in the period since the transaction, and none of the team members remember that specific test transaction, we are unable to identify the purpose of the test transaction.

There were two purchases made on the account in the period from 21 November 2019 to 25 February 2020. The other purchase was for one share of Alexander Isak for £1.74. That share was sold on 25 February 2020 for the purpose of the demonstration to the Gambling Commission.

Response

Thu, 30-01-2020 15:10:18 +0000	59399368	Alexander Isak	PURCHASE	1.74	1	1.74
Tue, 25-02-2020 14:54:43 +0000	62059218	Alexander Isak	SALE	2.3	1	2.3

The only other share sold on that test account in the period from 21 November 2019 to 25 February 2020 was for two shares of Felipe Baloy for a total of 16p.

Tue, 24-12-2019 12:59:55 +0000	55666247	Felipe Baloy	SALE	0.08	2	0.16
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Subsequent to identifying that the account was in use by other users, it was suspended on 25 February 2020, and a reminder was sent to the whole Tech Team not to share test accounts.

Hi guys, I have suspended user 7 (my test account).
Test accounts should not be shared if at all avoidable, and test transactions in production should be small amounts of shares to have minimal impact on our customers.
Thanks!

A production testing policy was agreed with the QA team in order to minimise impact on customers if there is a necessity to test outside our development and staging environments (Appendix 2.2).

7 May 2020

BetIndex Limited Response to GC Findings Letter 1 April 2020

Zh. We are concerned that a number of test accounts are being used by BetIndex which have been used for live transactions. We witnessed an example during the Assessment where a test account was demonstrated and the 'owner' of the test account was unable to explain why a number of shares had been purchased using that account.

The test account viewed during the Assessment was covered in detail at Response 2 of the GC Request for Information dated 14 April 2020. In addition the Compliance Monitoring Stats for the Board now have sections that confirm:

- (i) the number of open Test Accounts, and
- (ii) whether any balance exceeds £50 in the Open Test Accounts and the reason why.

Additionally, all test accounts that are now not in use have been closed since the Assessment. Test accounts are now specifically covered at 5.2 and Annex A of the new Betting Integrity Policy ((Appendix 2g(ii)) which was approved by the Board on 27 April 2020. Section 5.2 states: "Test accounts are permitted on a strictly controlled basis, in line with our test account controls" at Annex A.

"Annex A

Production Testing Policy

1. Scope

This policy applies to the operation of and activities conducted under the Football Index brand. Specifically, this comprises the limited entities of Index Labs Ltd, BetIndex Ltd and Tradex Ltd together with any other relevant associated entities either now or which may arise in the future. Hereafter referred to as "The Company".

2. Introduction

From time to time, it is important for us as employees, to test in production and we encourage it, however in order to minimise any potential impact on our customers and our data quality we need to set controls around how we carry that out. The purpose of this policy is to create some rules and controls and recommendations around that process.

3. When to test in production

For the most part automated and pre-release tests should make it unnecessary to test in production, however good reasons to test in production include:

- *Verifying a release*
- *Smoke testing of important functionality*

Response

- Replicating reports of bugs or issues that can't be repeated in dev or staging for some reason

- Exploratory testing
- Testing payments end to end so that transactions don't point at a sandbox account
- When not to test in production

We should first try and test any issue in a development or staging environment. If you can replicate a bug or issue there, it should be fixable on that basis without using production.

4. Test Account creation and registration

You may not share any account (including test accounts), this is against our ISO security policies.

You must not credit your test account yourself

Step 1:

Please follow the normal sign up procedure to create an account, using this email procedure:

When registering a Football Index account, by appending a plus ("+") sign after your email address and after that, you can insert any combination of words or numbers to create any number of personalized email IDs with the same inbox. For example "lionel+messi@footballindex.co.uk" and "lionel+richie@footballindex.co.uk" both deliver email to the same address, so you will be able to get password resets etc. It can be useful to test with other domains and email formats as well.

Step 2:

Email TradexOperations on operations@tradex-ltd.com, with the account details so that they can flag your account as a test account. It's important to do this promptly so that test account data is not inadvertently included in financial and regulatory reporting.

Step 3:

If you need cash to be added to your new 'test' account please email TradexOperations, operations@tradex-ltd.com, they can credit your account up to a maximum of £50 for testing purposes, any amount higher than this requires your managers approval. If the total of your balance or portfolio increases in excess of £100 due to dividends or price changes, you must report this to the operations team.

5. Minimising impact on customers

- Transactions (If you require a cash balance on your new test account)
 - Unless it's intrinsic to the test in question, use small or close to minimum transaction sizes and trade cheap players using low volumes of shares.
 - If you do a similar payment test multiple times, it can help to vary the amount by a penny
 - (£10.01, £10.02 etc..).
 - Should be as infrequent as possible while retaining the effectiveness of the test.
- User names should be discreet, follow community guidelines and not reference customers

If you believe you need to make production tests that might not have minimal to no impact on customers, this must be approved and documented by your manager.

Response

6. Minimising financial impact

Creating a Football Index account has a cost in KYC checks of £1-2 per account. Making a payment on an account has a cost in transaction fees approx. 1-2% of the transaction and a minimum of £ per withdrawal to card.

Some of our marketing is paid by performance, per install, per registration or based on buying thresholds to affiliates or other paid acquisition channels. If your test account has a cookie or is allocated to certain marketing channels, it might have a cost of up to £80 for a first deposit. It's fine for us to test functionality for those marketing partners, however, please report any examples to save us paying unnecessary marketing fees.

Unflagged test accounts could impact the amount of cash we set aside for customer protection and risk management if they have a substantial balance, portfolio or volume of bids.

Dev and staging environments may be pointed at sandbox versions of these suppliers and have less costs involved. Please note that staging environments are typically pointed at production accounts with these suppliers and could cause issues with financial reconciliation if there is significant activity over and above customer activity.

These costs and considerations should not discourage comprehensive and effective smoke tests and other areas that require testing, however we request that the volume of testing is considered against the value of its outcomes.

7. Test Account closure

When you finish using a test account, please let TradexOperations operations@tradex-ltd.com know so that they can shut it down. There is a manual process for the ops team to look at any test accounts that have not been active in 60 days and suspend them - please let them know if you are doing any kind of long term test on an account and they can make an exception so that your test is not interrupted.

As part of the exit processes of employees or contractors no longer employed by Football Index, test accounts should be included for closure and removal of shares and balance.

8. Ex-Employees and contractors and Safer Gambling

Employees at Football Index are not allowed personal customer accounts as laid out in the Betting Integrity Policy. After finishing your employment or contract with Football Index, we withhold the right for you (as an ex-employee or contractor) not to be allowed a customer account with the company (Football Index and any related company) for a period of no less than 3 months after your end date. Employees and contractors supporting Football Index are regularly exposed to gambling advertising due to the nature of the business and should consider that in their own personal gambling. We encourage the use of gambling counselling services and in the case of having issues with their gambling, we encourage them to discuss it with their manager or the HR department.

9. Monitoring

- Test accounts and unreported accounts that display characteristics of test accounts are monitored by the Operations team regularly.
- Test account activity and monitoring is dip sampled regularly by the Compliance team.
- Test account activity is reported to the GRC.

Response

10. Non compliance

Non-compliance with this policy may result in disciplinary action or contract review."

Please also see Appendix 2h(i), the 'Production Testing Policy' that can be found on the internal Confluence site. It sets out to staff the controls that are in place and are to be adhered when testing in production takes place.

10 March 2020

IRF 1850 – Case Management Plan – Regulatory Investigation – BetIndex Limited

Concerns - Paragraph 27

During the compliance assessment we were shown an account with buying and selling activity belonging to another employee. The Licensee could not explain the activity on the account. We have concerns that there may be more test accounts and insufficient controls over the use of these accounts.

Next steps - Paragraph 30

Further information is being requested from the Licensee to further understand the workings of the product. In brief the following is being considered suitable to request:

- Profit and loss data for the Market Maker and test accounts
- Bank statements evidencing real money being used in the test and Market Maker accounts.

Governance and Compliance Concerns – Paragraph 39

The Compliance assessment has identified several potential breaches in brief they are as follows:

- Inadequate control over and explanation of the live test accounts on the system