

Corporate governance framework

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Introduction

- i. Effective governance underpins the management of well run organisations, whether in the public, private, or voluntary sector.
- ii. The Gambling Commission (the Commission) ensures that it maximises the impact of its work while discharging its statutory duties. In doing so, it works to high standards of corporate governance so as to earn the confidence of its stakeholders.
- iii. This Corporate Governance Framework lays down the necessary responsibilities and procedures that are the foundations of a well run organisation. It was approved following consideration by the Commission at its meeting on 27 April 2017. The Corporate Governance Framework is reviewed every three years. Individual components of the Framework may be reviewed more frequently to address issues as they arise and to keep the Framework at the forefront of best practice.
- iv. This document is published on the Commission’s website as part of its commitment to openness and accountability.

1 The Commission

Status of the Commission

- 1.1 The Commission is an executive Non-Departmental Public Body (NDPB) sponsored by the Department for Culture, Media and Sport (DCMS).
- 1.2 The Commission was created by section 20 of the Gambling Act 2005. The Commission took over the National Lottery Commission’s functions on 1 October 2013 as a result of the Public Bodies (Merger of the Gambling Commission and the National Lottery Commission) Order 2013 coming into force.
- 1.3 The Commission consists of a Chairman and other Commission members appointed by the Secretary of State in accordance with guidance issued by the Commissioner for Public Appointments.
- 1.4 The Chairman and other Commissioners’ single term of office may not exceed five years, and aggregate terms may not exceed ten years (irrespective of whether these periods of appointment are consecutive).
- 1.5 A person may hold an appointment both as Chief Executive and as a Commissioner.
- 1.6 The Chairman holds and vacates office in accordance with the terms of his or her appointment. The Chairman may resign by giving notice in writing to the Secretary of State and shall cease to be Chairman if he/she ceases to be a Commissioner.
- 1.7 The jurisdiction of the Commission under the Gambling Act 2005 (as amended) covers Great Britain – England, Scotland, and Wales.¹ With regard to its functions under the National Lottery etc. Act 1993 (as amended) the Commission’s jurisdiction also includes Northern Ireland. The Commission will establish and maintain appropriate working relationships within each administration, taking account of the differences between them.
- 1.8 The Commission aims to establish appropriate and effective working relationships with licensing authorities, the operator of the National Lottery, the gambling industry, those working in the industry, the public, and others with an interest in socially responsible gambling and its regulation. In addition, the Commission will work closely with a range of

¹ The following sections of the Gambling Act 2005 also apply to Northern Ireland: chain gifting (section 43), advertising foreign gambling (section 331), and the repeal of ss.9-9B of the 1981 Act (section 340).

other regulators and government bodies to share information and, where appropriate, to take coordinated regulatory action.

- 1.9 Under Schedule 4 of the Gambling Act 2005, the Commission is required to establish arrangements for the conduct of its proceedings and to publish them. The arrangements are set out in Appendix 2: Rules for the conduct of business.

The objectives and functions of the Commission

- 1.10 The statutory licensing objectives that underpin the exercise of the Commission's functions under the Gambling Act 2005 are:

- preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime
- ensuring that gambling is conducted in a fair and open way
- protecting children and other vulnerable persons from being harmed or exploited by gambling.

- 1.11 When exercising its functions under the Gambling Act 2005, the Commission must aim to pursue the licensing objectives and permit gambling, in so far as it is reasonably consistent with the pursuit of the licensing objectives.

- 1.12 The Commission's principal functions under the Gambling Act 2005 are to:

- licence operators and individuals who are involved in the provision of facilities for gambling
- maintain the regulatory regime, including licence conditions, ensure that it is followed, and take action against those who do not comply with the requirements of the regime. This may include working in partnership with licensing authorities in accordance with the principles originally set out in the concordat entered into between the Commission and Local Government Regulation
- issue codes of practice regarding the way in which gambling facilities are provided
- provide guidance to local authorities as to the manner in which they are to exercise their functions under the Gambling Act 2005
- give advice to the Secretary of State on the incidence, effects, and regulation of gambling as well as the manner in which gambling is carried on.

- 1.13 The Commission will deliver its responsibilities by:

- delivering best practice licensing and enforcement and regulating gambling in the public interest, making transparent the principles the Commission will apply in exercising its functions. The Commission has published a 'Statement of Principles for Licensing and Regulation' which is published on the Commission's website
- providing authoritative advice on gambling and its regulation: building the Commission's knowledge base through knowledge management, intelligence and research
- engaging with stakeholders: ensuring that the Commission is accountable, properly balanced and informed in its work
- developing its employees and organisation: delivering professional, responsive, accountable and fair regulation.

- 1.14 In relation to the National Lottery, with the Secretary of State, the Commission's overriding statutory duties are to exercise its functions in a manner it considers will secure that:

- the National Lottery is run, and every lottery that forms a part of it is promoted, with all due propriety; and
- the interests of every participant in the lottery are protected.

- 1.15 Subject to these two duties, when exercising their functions under the National Lottery etc. Act 1993, the Secretary of State and the Commission shall do their best to secure that the net proceeds of the National Lottery are as great as possible.
- 1.16 The Commission's principal functions under the National Lottery etc. Act 1993 are:
- running the competition process to select the operator of the National Lottery, and granting the operator's licence (which may include such conditions as the Commission considers appropriate)
 - licensing each game that the operator wishes to promote, under such conditions as the Commission considers appropriate
 - reviewing the terms of the licences it issues and granting consents under those licences in response to changing circumstances or proposals from the operator.
 - checking that the operator meets the conditions of its licences and taking enforcement action where conditions are not met
 - overseeing the operator's performance to ensure that returns are maximised, in line with its duty to ensure net proceeds are as great as possible, subject to its propriety and player protection duties
 - checking that the operator, those who manage National Lottery business, and those who financially benefit from the National Lottery are fit and proper.
- 1.17 The Secretary of State is also subject to the duties described above and these provide the context for her/his functions of making regulations and issuing Directions to the Commission under section 11 of the National Lottery etc. Act 1993. The Commission must comply with those Directions in the exercise of its National Lottery licensing functions.

The Commission's values and principles

- 1.18 Four essential values lie at the heart of the way the Commission's employees will conduct all of the work of the Commission:
- Fair – we will be consistent, proportionate, evidence based and free from bias, prejudice or discrimination in all that we do
 - Accountable – we will be open about the way in which we work and reach decisions in the public interest, while safeguarding the personal and confidential data that we hold
 - Professional – we will ensure that we have the right skills and knowledge-base and follow international regulatory best practice
 - Constructive – we will work positively and courteously with our internal and external stakeholders to ensure that their needs and views are taken fully into account in all we do.
- 1.19 In delivering the functions and responsibilities described above, the Commission is guided by the following principles:
- to pursue its statutory obligations
 - to regulate in a transparent, accountable, proportionate, consistent and targeted manner
 - to be risk-based in its approach to regulation
 - to ensure that assessment of risk is led by evidence and best regulatory practice in the light of international experience. Where there is no evidence, to take a cautious approach
 - to consult widely
 - to use its resources effectively.

- 1.20 The Commission's policies and practices are reviewed regularly with the aim of ensuring that the regulatory burden imposed by the Commission is at the minimum, but consistent with carrying out its duties.

Accountability

- 1.21 The Commission demonstrates its accountability to its stakeholders by:
- producing a Business Plan
 - producing a report and accounts annually which are laid before Parliament
 - publishing the Management Agreement with DCMS
 - appointing the Chief Executive as Accounting Officer
 - having its accounts externally audited by the Comptroller and Auditor General
 - consulting widely on its approach to regulation, programme and fees proposals, to which it responds publicly
 - having a clear complaints process.

Review of effectiveness

- 1.22 The Commission operates management information and accounting systems to enable it to review its financial and non-financial performance against budgets and its Business Plan in line with its planning documents.
- 1.23 The Commission must keep proper accounts and records in relation to them and retain financial records as appropriate. After the end of each financial year, the Commission will publish an annual report of its activities, together with its audited annual accounts.
- 1.24 The report and accounts will be in a form specified by the Secretary of State and will outline the Commission's main activities and performance during the previous financial year. It will also set out in summary form the Commission's objectives as stated in the Business Plan. The report and accounts are subject to audit by the Comptroller and Auditor General. A copy of the report and accounts will be sent to the Secretary of State.
- 1.25 The annual report is laid before Parliament by the Comptroller and Auditor General and made available to the public on request and published on the Commission's website.
- 1.26 The Commission, at least annually, assesses its performance against the terms of this Corporate Governance Framework, its financial and non-financial performance and delivery of its Business Plan.
- 1.27 The Commission's performance against targets will be reported and reviewed by DCMS at quarterly liaison meetings. The Secretary of State or Minister will meet with the Chairman and Chief Executive formally each year to discuss the Commission's performance, its current and future activities and any policy developments relevant to those activities.
- 1.28 The Commission's effectiveness will be reviewed periodically, in accordance with the business needs of DCMS and the Commission, and in accordance with Cabinet Office guidance. The terms of this Corporate Governance Framework and the Commission's compliance with it will be reviewed as part of any such review.

2 Roles, responsibilities and conduct

The Chairman

- 2.1 The Chairman has a particular responsibility for providing effective strategic leadership on the following matters:
- formulating the Commission’s strategy for discharging its statutory duties
 - encouraging high standards of propriety and promoting the efficient and effective use of employees and other resources throughout the Commission
 - ensuring that the Commission, in reaching decisions, takes proper account of guidance provided by the Secretary of State or DCMS
 - representing the views of the Commission to the general public
 - providing an assessment of performance of individual Commissioners, on request, when he/she is being considered for re-appointment to the Commission.
- 2.2 The Chairman will ensure that all Commission members are fully briefed on the terms of his/her appointment and on his/her other duties, rights and responsibilities.
- 2.3 When Commission vacancies arise, the Chairman is responsible for advising the Secretary of State of the needs of the Commission with a view to ensuring a proper balance of professional, financial and other expertise.
- 2.4 The Chairman will ensure that a code of conduct for Commissioners is in place, based on the model ‘Code of Practice for Board Members of Public Bodies 2011’ produced by the Cabinet Office. The code will commit the Chairman and other Commission members to the Nolan seven principles of public life, and will include a requirement for a comprehensive and publicly available register of interests. The Code of conduct for Commissioners is in Appendix 10.
- 2.5 Communications between the Commission and the Secretary of State will normally be through the Chairman.

Corporate responsibility of the Board of Commissioners

- 2.6 The Board of Commissioners (the Board) has corporate responsibility for ensuring that the Commission fulfils the aim and objectives set out in legislation and complies with any statutory or administrative requirements for the use of public funds. Other important responsibilities of Commissioners are:
- ensuring that high standards of corporate governance are observed at all times
 - establishing the overall strategic direction of the Commission within the relevant statute and the policy and resources framework agreed with the responsible Minister
 - ensuring that the Commission operates within the limits of its statutory authority and any delegated authority agreed with DCMS, and in accordance with any other conditions relating to the use of public funds
 - ensuring that, in reaching decisions, the Commission takes into account any guidance issued by DCMS
 - appointing, with the Secretary of State’s approval, a Chief Executive (including the terms and conditions of employment)
 - ensuring that a distinction is made and set down in writing between strategic planning and management, which are the responsibility of the Commission, and day-to-day management issues which have been delegated to the Chief Executive.

Individual responsibilities of Commissioners

2.7 Commissioners also have individual responsibilities as members of a public body:

- to comply at all times with the Commission’s Code of conduct for Commissioners which reflects the Cabinet Office’s ‘Code of Practice for Board Members of Public Bodies’
- to act in good faith and in the best interests of the Commission
- not to misuse information gained in the course of his or her public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote his or her private interests or those of connected persons or organisations
- to comply with the Commission’s rules on the acceptance of gifts and hospitality (and of business appointments) as set out in the Code of conduct for Commissioners.

Personal liability of Commissioners

2.8 Although any legal proceedings initiated by a third party are likely to be brought against the Commission, in exceptional cases proceedings (civil, or in certain cases, criminal) may be brought against the Chairman or individual Commissioners. For example, a Commissioner may be personally liable if he or she makes a fraudulent or negligent statement which results in loss to a third party. Commissioners who misuse information gained by virtue of his or her position may be liable for breach of confidence under common law or may commit a crime under insider dealing legislation.

2.9 However, the Government has indicated that individual Commissioners, who have acted honestly and in good faith, will not have to meet any personal civil liability which is incurred in the execution, or purported execution, of his or her Commission functions out of his or her own personal resources. The Commission will indemnify any Commissioner so affected.

The Chief Executive

2.10 The Chief Executive of the Commission is designated as the Commission’s Accounting Officer by the DCMS Accounting Officer. The Chief Executive is also a Commissioner.

2.11 As the Commission’s Accounting Officer, the Chief Executive is personally responsible for safeguarding public funds, for propriety and regularity in the handling of those public funds and for the day-to-day operations and management of the Commission.

2.12 The Chief Executive should act in accordance with the terms of the Management Agreement with DCMS and with the instructions and guidance in Government Accounting and other instructions and guidance issued from time to time by DCMS, the Treasury and the Cabinet Office. In particular, on the basis of the standards, in terms of governance, decision-making and financial management that are set out in Box 3.1 to the Treasury document ‘Managing Public Money’ which the Chief Executive receives on appointment as Accounting Officer.

2.13 As the Commission’s Accounting Officer the Chief Executive will, in particular:

- sign the accounts and ensure that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with Treasury guidance and with any directions issued by the Secretary of State
- sign a Statement of Accounting Officer’s responsibilities, for inclusion in the annual report and accounts

- sign a Governance Statement concerning the organisation’s management and control of resources during the year and setting out how risk has been managed, for inclusion in the annual report and accounts
- ensure that effective procedures for handling complaints about the Gambling Commission and public interest disclosures are established and made widely known within the body
- act in accordance with the terms of this document, Managing Public Money and other instructions and guidance issued from time to time by DCMS, the Treasury and the Cabinet Office
- give evidence, normally with the Accounting Officer of the sponsor Department, when summoned before the PAC on the Gambling Commission’s stewardship of public funds
- ensure that there is no cross subsidy between funding for National Lottery regulation and gambling regulation: the Accounting Officer is responsible for ensuring that reports and accounts are able to clearly demonstrate that this is the case
- inform DCMS of regulatory activity undertaken to ensure that the statutory duties are maintained and explaining how resources are being used to do so;
- ensure that timely forecasts and monitoring information on performance and finance are provided to DCMS; that DCMS is notified promptly if over or under spends are likely and that corrective action is taken; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to DCMS in a timely fashion
- to work collectively with DCMS and other members of the DCMS ‘family’ of arm’s length bodies in support of each other and the group as a whole
- advise the Board on the discharge of its responsibilities as set out under the founding legislation, in this document, and in any other relevant instructions and guidance that may be issued from time to time
- advise the Board on the Gambling Commission’s performance compared with its aim[s] and objectives
- ensure that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed
- take action as set out in paragraphs 3.8.5-3.8.6 of Managing Public Money if the Board, or its Chair, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, questionable feasibility or is unethical.

2.14 The Chief Executive may delegate the day-to-day administration of the Accounting Officer responsibilities to appropriately qualified employees of the Commission. However, the Chief Executive shall not assign absolutely to any other person any of the responsibilities set out in this document and remains accountable in respect of any delegated responsibilities.

2.15 The Chief Executive is the Principal Officer for the purpose of the handling of cases involving the Parliamentary Commissioner for Administration. The Principal Officer is responsible for informing the Permanent Secretary at DCMS about any complaints accepted by the Parliamentary Ombudsman for investigation and about the Commission’s

proposed response to any subsequent recommendations from the Parliamentary Ombudsman.

The Commission as an employer

- 2.16 Within the arrangements approved by the Secretary of State (paragraph 6, Schedule 4 of the Gambling Act 2005), the Commission has responsibility for the recruitment, retention and motivation of its employees.
- 2.17 The Commission will ensure that:
- its rules for the recruitment and management of employees provide for appointment and advancement on merit on the basis of equal opportunities for all applicants and employees
 - the level and structure of its staffing, including grade and numbers of employees, is appropriate to its functions and the requirements of efficiency, effectiveness and economy
 - the performance of employees at all levels is satisfactorily appraised for the purposes of performance pay and, where appropriate, promotion
 - its employees are encouraged to acquire the appropriate professional, managerial and other expertise necessary to achieve the Commission's objectives
 - proper consultation with its employees takes place on issues affecting them, for example pay, health and safety etc.
 - adequate grievance and disciplinary procedures are in place
 - an employee code of conduct is in place.

Individual responsibilities of employees

- 2.18 The Commission's position as the regulator of the gambling industry requires that the Commission and its employees are able, at all times, to demonstrate that their actions and behaviour are beyond reproach. The Commission wants to ensure that employees are protected from any situation where they might be seen as vulnerable to personal compromise of any kind, or situations which might lead to the integrity of the Commission being questioned. To support this, the Code of Conduct for employees reflects the Commission's values and sets out the standards of behaviour that are expected of everyone who works with the Commission, as employees, contractors or consultants etc and the ways in which the Commission will help such people to avoid any unwarranted criticism or pressure.
- 2.19 The Commission expects the highest standards of behaviour from employees at work and in personal lives where the Commission's position might be affected. The general principles set out below and the detailed Employee code of conduct applies to everyone who works for the Commission. It is the responsibility of each individual to be aware of the standards of conduct expected of them and to apply the Employee code of conduct as a general guideline to behaviour. However, employees may encounter particular personal circumstances that are not covered by the Code of conduct for employees, or where the strict application of the Code may seem unreasonable. Any such circumstance should be discussed with a manager to arrive at a solution which is fair and reasonable for both employee and the Commission.
- 2.20 The general principles for employees' conduct are:
- integrity – employees should conduct themselves in a frank and honest manner and maintain the Commission's high standards of conduct, whether or not at work. Employees should treat all those they encounter, including colleagues, licensees and the public, courteously and follow the guidance in the Code of conduct for employees and the Employee handbook.

- personal and financial affairs – employees should conduct their financial and other personal affairs in a frank and honest manner that does not leave them exposed to the risk of corruption or improper pressure. Major financial difficulties or changes of circumstances which might make an employee vulnerable, or appear vulnerable, to allegations of impropriety should be disclosed (in confidence) to the Head of Human Resources.
- confidentiality – working in the Commission involves access to sensitive and confidential information about individuals, about commercial organisations and their plans and about policy developments. Employees must ensure that such information is not used in any way directly or indirectly for their own benefit or for the benefit of any third party or disclosed to any person (whether Commission employees or otherwise) other than as required by law. This does not prevent employees from exercising any of their other rights under the Public Interest Disclosure Act 1998.
- accountability – while safeguarding information that should be kept confidential, employees must remember that the Commission is committed to being open about the way in which decisions are reached and how our business is conducted. Employees must therefore take care to record and make available material to enable our stakeholders to understand our business.

3 Scheme of delegation

The power to delegate

- 3.1 The Commission may delegate a function to a Commissioner, a committee of Commissioners and employees or an employee of the Commission. The role of committees is to exercise functions delegated to them, and may include providing a more detailed consideration of specific work areas, advising the Commission and promoting more effective communication between the Commission and particular stakeholders.
- 3.2 This section describes the functions which have been reserved to the Commission and the functions which have been delegated to committees or to the Chief Executive under the terms of paragraph 8, Schedule 4 of the Gambling Act 2005. These arrangements are referred to as the Commission's Delegated Powers. The Board may choose to delegate to the Chief Executive specific matters which would otherwise be reserved to the Board.

Matters which are reserved to the Commission

- 3.3 The following matters are reserved to the Board:
- consideration and approval of the Corporate Governance Framework, including delegated powers, standing orders and prime financial policies
 - consideration and approval of the Commission's strategic objectives
 - consideration and approval of the Commission's Business Plan, core business objectives and annual budgets
 - consideration and approval of a medium-term financial plan
 - approval of the regulatory framework, strategy and priorities
 - variations to the approved budget where the variation would have a significant impact on the overall approved levels of income and expenditure
 - approval of annual report and accounts
 - determination and approval of arrangements for performance management and consideration of regular monitoring reports
 - approval of the Commission's risk management arrangements and consideration of reports of the Audit Committee
 - appointment of the Chief Executive, subject to the Secretary of State's consent as to the terms and conditions of employment
 - approval of reports from the Remuneration Committee
 - approval of the general organisational structure of the Commission
 - approval of communication plans in respect of matters which are of public, political or reputational significance
 - the cycle of Board meetings, the composition of Board agendas and approval of minutes of Board meetings
 - approval of certain functions under the National Lottery etc. Act 1993.

The Audit and Risk Committee

- 3.4 The Commission has established an Audit and Risk Committee to support the Commission and Chief Executive (as Accounting Officer) to meet their responsibilities for issues of: control and governance; risk; and associated assurance.
- 3.5 The delegated authority and terms of reference of the Audit and Risk Committee appear in Appendix 3.

The National Lottery Committee

- 3.6 The Commission has established a National Lottery Committee.
- 3.7 The terms of reference of the National Lottery Committee and the scheme of delegations appear in Appendix 4.

The Remuneration Committee

- 3.8 The Commission has established a Remuneration Committee.
- 3.9 The delegated authority and terms of reference and delegation of the Remuneration Committee appear in Appendix 5.

The National Lottery Competition Committee

- 3.10 The Commission has established a National Lottery Competition Committee.
- 3.11 The delegated authority and terms of reference of the National Lottery Competition Committee appear in Appendix 12

Regulatory decisions under the Gambling Act 2005: delegations to the Regulatory Panel and employees

- 3.12 The Commission has established a Regulatory Panel (the Panel). The terms of reference of the Panel and the scheme of delegations appear in Appendix 7.

Reference groups

- 3.13 The Commission may establish reference groups to advise the Board on matters that are time limited and topic based.
- 3.14 Reference groups will undertake the following functions:
- review progress and documentation of key work programmes, giving advice, ideas, guidance and constructive challenge where appropriate
 - provide a quality assurance function of the outputs of key work programmes
 - provide oral updates and written papers to Commissioners regarding key work programmes and their outputs where necessary.
- 3.15 The full delegated authority and responsibilities of the reference groups will be set out in the terms of reference which sets them up.

Financial delegations

- 3.16 The Commission has established a scheme of financial delegations, which appear in Appendix 8.

Delegations to the Chief Executive

- 3.17 The Commission has delegated to the Chief Executive all responsibility for the day-to-day management of the Commission.
- 3.18 Where a matter has not been specifically reserved to the Commission or delegated to a Committee or employee in this Corporate Governance Framework, the Chief Executive has authority to act.

- 3.19 In addition, the Commission authorises the Chief Executive to appoint another employee of the Commission to act on their behalf and references in this Corporate Governance Framework to the Chief Executive include any person the Chief Executive has designated to act on his or her behalf.
- 3.20 The Commission has delegated the handling of complaints to the Chief Executive.
- 3.21 A copy of the Complaints Procedure appears in Appendix 11.