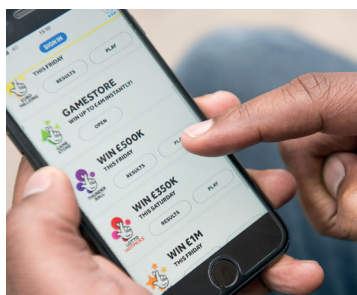


THE FUTURE OF THE NATIONAL LOTTERY



**PROGRAMME
UPDATE**



FOREWORD

by Chief Executive, Neil McArthur

The National Lottery is a national asset. In the 25 years since it was launched, the National Lottery has raised over £40 billion for good causes, transforming lives through its contribution to the arts, sports, heritage and communities up and down the UK.

The National Lottery is also one of the world's largest lotteries. 12 million people take part in its draw-based Lotto game each week and millions more play its instant win games.

There have been three competitions for the licence to run the National Lottery and the current licence is due to expire in 2023. The role of the Gambling Commission is to design and run the National Lottery licence competition, and subsequently regulate the next licence. We have a strong track record of safeguarding the National Lottery and ensuring that it is run with integrity, protects players and maximises returns to good causes.

This document sets out the policy areas that we are looking at in the run up to the competition. We have already spoken to many interested parties to help us develop our thinking on these policy issues and help us shape the future of the National Lottery. Technology and communications are changing at a fast pace and we want to ensure that we understand the opportunities they present.

We want to build on the tremendous success of the National Lottery and we are determined to run a fair and transparent competition process that maximises the opportunities for innovation and creativity whilst protecting the special status of the National Lottery. We will be continuing our dialogue with interested parties over the coming months as we develop our proposals. If you would like to find out more about the competition or want to speak to our team, please find our contact details on the back page of this document.

Neil McArthur
Chief Executive

**565,000
GOOD
CAUSES**

**12 MILLION
LOTTO
PLAYERS
EACH WEEK**

**OVER
£40 BILLION
RAISED**

THE FOURTH NATIONAL LOTTERY LICENCE COMPETITION



The Gambling Commission is the UK's independent, statutory body responsible for awarding the licence to run the National Lottery and tasked with regulating it to ensure safe and fair play.

The current licence is due to expire in 2023.



As part of our responsibility as a regulator, we have three overriding statutory duties:

- 1 ENSURING THE NATIONAL LOTTERY IS RUN WITH PROPRIETY**
- 2 ENSURING THAT PARTICIPANTS' INTERESTS ARE PROTECTED, AND**
- 3 (SUBJECT TO THOSE TWO DUTIES) DOING OUR BEST TO ENSURE THE PROCEEDS FROM THE NATIONAL LOTTERY ARE AS GREAT AS POSSIBLE**



Whilst the Gambling Commission is responsible for managing the competition and regulating the National Lottery, the distribution of funds it generates is separate. This is carried out by independent distribution bodies, overseen by the Department for Digital, Culture, Media and Sport (DCMS) and devolved administrations.



DESIGNING THE LICENCE COMPETITION

We are now preparing a competition to award the fourth National Lottery licence, which will run from 2023.

The context for the National Lottery has changed since the third licence was awarded. For example, technology-based products and services have been widely introduced and continue to change rapidly. We view the next licence competition as an opportunity to bring innovative new ideas that sustain and grow the National Lottery, and ensure it remains relevant and attractive to all parts of society.

We have established a team to design and manage the competition for the next licence. We are creating a level playing field for all potential bidders and will run a fair, open and robust competition to help us meet our statutory duties on propriety, player protection and returns to good causes.

Following the launch of the programme in November 2018, we have been carrying out market engagement across the globe to explore opportunities for innovation, particularly the technology and communications sectors, to help us design the next licence for 2023 and beyond.

This document sets out the key policy areas that will inform the design of the next licence.

KEY POLICY AREAS

We are building a licence around three key policy areas, all of which will be central to the design of the next National Lottery.

The following is a summary of those policy themes:

1 PROTECTING THE NATIONAL LOTTERY ASSET

- **Propriety**
- **Branding**

We will ensure the operator is fit and proper, and that the National Lottery continues to be run with due propriety.

Our checks will ensure the operator observes high standards of corporate governance, including the way it manages staff, contractors and its relationships with shareholders. We will ensure that the National Lottery is financially resilient and run with integrity, protecting its reputation and brand value.

Brand is key to generating participation and therefore returns to good causes. The Gambling Commission owns the National Lottery brand and associated intellectual property and licenses the operator to use it. We will ensure that the National Lottery remains distinctive and instantly recognisable by requiring the operator to use the brand only in relation to National Lottery products.

We will ensure the operator innovates and collaborates with funding distributors to improve the public's understanding of the link between playing the National Lottery and good causes.





2 PROTECTING AND ENGAGING PLAYERS

- **Player protection**
- **National Lottery portfolio of games**
- **Channels of sale**

We want the National Lottery to be the safest of its kind in the world. Bidders must demonstrate a high standard of player protection.

We are setting outcomes-focused licence conditions, for instance to prevent underage and excessive play, to ensure that players understand the games and conditions of play, and to deal effectively with complaints.

We are setting requirements in the licence where we have identified a specific need to protect players.

We will expect the licensee to contribute to research, prevention and treatment.

For games portfolio and channels of sale, we want to allow the operator of the next licence freedom to develop the National Lottery in line with maximising returns to good causes. We will streamline the process for games approval to allow greater flexibility and improved time-to-market. We will safeguard key features of the National Lottery, for example, by ensuring that draw-based games remain at its core.



3 INCENTIVISING AND MONITORING THE OPERATOR'S PERFORMANCE

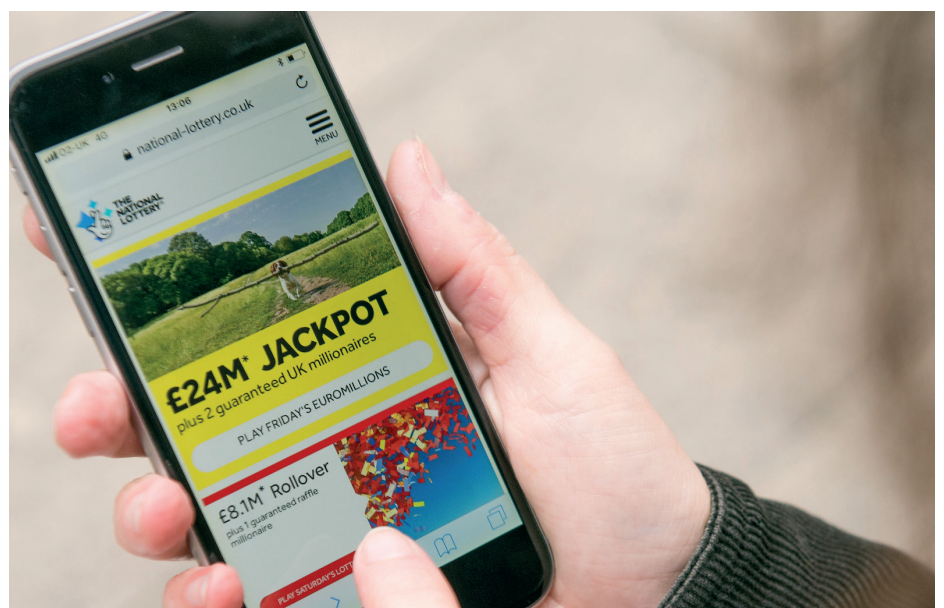
- **Number of licences**
- **Duration of the fourth licence**
- **Retention structure**
- **Monitoring performance**

Following feedback from the market, it has been decided that the fourth licence should be awarded to a single licensee as that is considered the best way to serve the National Lottery and returns to good causes.

We have analysed incentive properties, past performance and overseas comparisons to assess licence duration. A licence of up to ten-years will allow time for investment while maintaining competitive discipline.

The retention structure determines the proportion of revenue from sales which goes to good causes, and how much is retained by the operator. Compared with current arrangements, the new structure will align the operator's incentives across the portfolio more closely with returns to good causes.

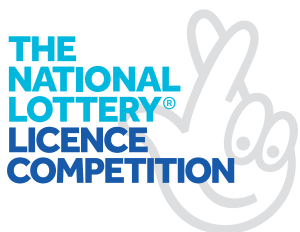
We are developing a targeted and proportionate approach to monitoring operator performance during the fourth licence. This will involve a broad set of tools and safeguards including earned autonomy, performance metrics, a stronger role for operator assurance, and clear remedies for under performance.



GET INTOUCH

If you would like to hear more about the competition,
please contact the team at
4NLCinfo@gamblingcommission.gov.uk.

www.4nlc.com



GAMBLING
COMMISSION