

**Proposed amendments to licence
conditions and codes of practice (LCCP)
for all operators**

**Response document – part three
April 2014**

**Including response to the supplementary consultation on
submitting suspicious activity report unique reference
numbers to the Commission**

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1 Introduction

- 1.1 This document is part three of the Gambling Commission's (the Commission) response to the three separate consultations on proposed amendments to licence conditions and codes of practice (LCCP) which were carried out from September 2013 through to April 2014.
- 1.2 The Commission consulted on [Proposed amendments to licence conditions and codes of practice for all operators](#) at the end of 2013. At the same time, the Commission carried out a separate consultation on the [Protection of customer funds: proposals for amendments to current licence condition 4 for all gambling operators](#). Further to these consultations, the Commission carried out a short supplementary consultation entitled [Supplementary consultation on submitting suspicious activity report unique reference numbers to the Commission](#).
- 1.3 In March 2014, the Commission published part one of the Commission's response to those consultations, and explained that the remaining responses would be published in two further parts. [LCCP changes part 2](#) relates to the protection of customer funds and is published alongside this document.
- 1.4 This document - part 3 - sets out one amendment to LCCP which is relevant for all operators (key event reporting of suspicious activity report (SAR) unique reference numbers), and a series of amendments which are relevant only to remote gambling and gambling software operators.
- 1.5 In making decisions on the proposed amendments to LCCP, the Commission has considered the written responses to the consultations, comments raised during stakeholder meetings and workshops and issues raised during Parliamentary debates on gambling, in particular those raised during debates on the Gambling (Licensing and Advertising) Bill (the Bill).
- 1.6 We will shortly be publishing a consolidated version of LCCP containing all of the changes outlined in the three parts of the responses to the consultations. This version of LCCP will come into force **at the beginning of August 2014**. The only planned exception to this implementation date is the new licence condition which will require Commission licensed operators to source their gambling software from Commission licensed gambling software businesses. This provision will come into force on 1 January 2015.
- 1.7 As part of our ongoing process of reviewing our regulatory approach, we will be consulting on and implementing further changes. These will include:
- As explained in the original consultation document, the Commission is also undertaking a social responsibility review of LCCP and *Guidance to Licensing Authorities*. Rachel Lampard, a Gambling Commission Commissioner, will be leading this work with a view to the Commission consulting on strengthened provisions in these areas this summer.
 - *Remote gambling and software technical standards* (RTS) be updated later in 2014, for example, more information may be included in our standards about the display of licensed status and on the information to be displayed to customers on protection of customer funds, particularly in relation to restricted display devices (such as mobile phones).
 - The Commission will release information on its testing strategy for compliance with RTS - for example, to make transitional provisions in respect of those licensed for the first time following implementation of the Bill.

2 Background

The consultation

- 2.1** The consultation document [Proposed amendments to licence conditions and codes of practice for all operators](#) was published on 12 September 2013 with a consultation period lasting 12 weeks and closing on 4 December 2013. A total of 52 formal written responses were received during the consultation period and the consultation document was downloaded 616 times from the Commission's website during that period. The respondents are listed in Annex B to this document and the full responses are available on the Commission's website.
- 2.2** Responses to that consultation were received from 33 gambling operators, ten trade associations, one problem gambling help organisation, two regulatory bodies, two law firms, one alternative dispute resolution (ADR) provider, one faith group, one campaign group and one member of the public.
- 2.3** As well as the written responses, the Commission has taken account of comments made during a series of stakeholder meetings and workshops held from October 2013 to February 2014. We have also considered issues raised during the Parliamentary debates on the Bill.
- 2.4** The consultation document [Supplementary consultation on submitting suspicious activity report unique reference numbers to the Commission](#) was published on 2 April 2014. Because this was a brief supplementary consultation, the consultation period lasted for three weeks, closing on 23 April 2013. A total of four formal written responses were received during the consultation period. 141 people visited the webpage for this consultation and there were 65 unique downloads of the document (75 in total). The respondents are listed in Annex C to this document and the full responses are available on the Commission's website.
- 2.5** We would like to thank again all those who provided written responses to these consultations or engaged in the workshops, meetings and discussions during the period of the three consultations.

The Commission's overall regulatory approach

- 2.6** Part 1 of the responses to the consultation explained that the Commission applies a set of principles to our licensing of gambling operators and our enforcement action. These principles are set out in [Statement of principles for licensing and regulation](#)¹. The statement makes clear that our overall approach to licensing, and therefore our approach to setting licence conditions and codes of practice, takes account of a range of relevant central requirements or guidelines for regulators, such as the Regulators' Code². We will be updating the statement of principles later this year and will consult on those changes.

Licence conditions and codes of practice

- 2.7** LCCP was first published in 2007 and significant revisions were last made in March 2011. Three supplements were issued during 2011, and the information in these supplements was then incorporated into the consolidated version of LCCP in December 2011.

¹ The Gambling Commission will shortly be consulting on proposed updates and amendments to the *Statement of principles*.

² The Regulators' Code (July 2013) which is expected to come into force in April 2014

- 2.8** LCCP is a significant part of the framework by which the Commission upholds the licensing objectives. The licensing objectives are set out in the Gambling Act 2005, and 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.
- 2.9** However, LCCP must be seen within the overall architecture of gambling regulation. In particular, the industry is responsible for the active pursuit of the licensing objectives, with LCCP as part of the infrastructure supporting that pursuit. LCCP is not a standalone checklist which the industry should follow, nor should it be seen as the maximum standard to be achieved. Equally important as adherence to LCCP is the operator's compliance with the Gambling Act 2005 (and with the secondary legislation connected with that Act) and its management of the business in a socially responsible manner – one that minimises the risk of crime and gambling-related harm, and that is fair and open for customers.
- 2.10** Embedding the licensing objectives in this way is vital for the industry. As the Commission's Chairman said in a blog in 2013³: 'opportunities for growth and innovation depend on the gambling industry demonstrating – and convincing the public – that it is genuinely committed to keeping crime out of gambling, keeping it fair and protecting its customers from harm.' The Chairman recently reiterated this message in his [keynote speech](#) at the ICE World Regulatory Briefing in February 2014.
- 2.11** LCCP provides a framework of conditions and codes within which operators can develop good practice and, in the case of ordinary codes of practice, can be used in regulatory or court actions as evidence of good practice. In many areas (particularly in the ordinary code provisions), LCCP leaves room for flexibility in the manner in which it is implemented, and allows businesses to decide how best to give life to the licensing objectives. However, we can and do amend LCCP to improve clarity or where experience suggests more guidance, incentive or deterrence is needed.
- 2.12** We summarise the current and next steps for amending LCCP in section 5 of this document.

³ The Chairman's blog is available on the DCMS website at:
http://blogs.culture.gov.uk/main/2013/01/public_confidence_is_key_to_gr.html

3 Amendments for all operators

Key events reporting: submitting suspicious activity report unique reference numbers to the Commission - for all licensees

Consultation proposal

- 3.1** In the overall amendments to LCCP consultation, we indicated that the Commission was exploring, with the United Kingdom Financial Intelligence Unit (UKFIU), an appropriate means of improving the Commission's access to information submitted under the UKFIU's suspicious activity reporting and consent regime (the SAR regime). We explained that the result of those discussions might be a requirement on gambling operators (by way of licence condition) that the Commission be given either copies of SARs or copies of the unique reference numbers (URNs) allocated by the UKFIU under the SAR regime.
- 3.2** We received a number of written responses on these proposals, as well as comments during a series of stakeholder meetings and workshops held from October 2013 – February 2014. We have taken these views into consideration and, as highlighted in our part 1 response document [Proposed amendments to licence conditions and codes of practice \(LCCP\) for all operators. Response document – part one, March 2014](#), we have agreed a solution with the UKFIU.
- 3.3** The key concern of the respondents to the overall LCCP consultation had been that any solution in this area should be compatible with the UKFIU's approach. Having agreed that an efficient means of the Commission monitoring such information is through access to the UKFIU's relevant databases, the Commission considered that respondents' concerns about the overall LCCP consultation had been addressed. During April 2014, we therefore completed a short supplementary consultation on the draft provision to be included in LCCP on this topic.
- 3.4** The [Supplementary consultation on submitting suspicious activity report unique reference numbers to the Commission](#) sought views on the proposal to create a new key event to require operators to supply the Commission with the URNs of SARs and/or requests for appropriate consent they have submitted to the UKFIU, once a URN has been allocated.
- 3.5** The approach proposed in the supplementary consultation document would allow the Commission to support the work of the UKFIU in real-time – promptly matching intelligence and enquiries from law enforcement agencies – as well as supplementing/corroborating the information we already receive from operators via quarterly/annual regulatory returns.

Consultation question

(This question was asked in the supplementary consultation on submitting suspicious activity report unique reference numbers to the Commission.)

- Q1. Do you have any comments on the draft provision which requires operators - through a new key event - to supply the Commission with the URNs of SARs and/or requests for appropriate consent they have submitted, once the URN has been allocated by the UKFIU?

Respondents' overall views

- 3.6** We received four responses to the consultation. Respondents had mixed views on the proposal in terms of its intent and practicalities:
- Two respondents supported the proposal in principle
 - Two respondents queried the benefit of supplying the Commission with URNs
 - Two of the respondents queried the 5 day timescale (from allocation of the URN) within which the Commission would require the URNs to be supplied, and made some suggestions around alternative approaches (outlined in the position box below).
- 3.7** Respondents also asked the Commission to clarify its legal standing as far as its interest in SAR reporting is concerned, as well as requesting more detail on the ways in which the Commission will ensure that URNs are handled appropriately and do not result in supplementary requests from the Commission for further disclosures to be made by licensees in relation to prior disclosures.
- 3.8** Other comments from respondents included requests for further guidance and engagement (in the form of workshops or the establishment of an industry forum) on this topic and broader AML issues.

The Commission's position

All gambling operators have to put in place systems and controls to prevent gambling from being a source of crime or disorder, being associated with crime and disorder, or being used to support crime (which includes money laundering (ML)).

The Proceeds of Crime Act 2002 (POCA) criminalises all forms of ML, therefore failing to have adequate systems and controls in place puts gambling operators and their employees at risk of committing ML offences. POCA also creates reporting obligations, which are applicable to anyone in the UK that may interact with an individual or business, whereby they may commit a ML offence.

The National Crime Agency (NCA) provides guidance on these reporting obligations (commonly referred to as SARs) and their practical application. They define a SAR as 'a piece of information alerting law enforcement agencies (LEAs) that certain client/customer activity is in some way suspicious and might indicate ML or terrorist financing'. They go on to say that SARs 'must be submitted as soon as is practicable'.⁴

The Commission is focused upon being assured that operators understand their obligations under the Gambling Act 2005, as well as under any other relevant legislation, such as POCA, to keep gambling crime free – this is both in our capacity as the industry regulator and as a statutory LEA. This is recognised by the NCA, who, as set out in their annual SARs report for 2013, consider collaboration with sector regulators and LEAs important in ongoing monitoring, risk assessment and mitigation – this includes the sharing of information relating to SARs.

As outlined in the supplementary consultation, a key driver for this new requirement is that the UKFIU has agreed to grant the Commission access to its relevant databases. This is being done on the premise that the Commission ensures the confidentiality and appropriate handling of SARs, something which the UKFIU acknowledges the Commission – as an organisation with an ISO accreditation in information security – is able to do through restricting access to the databases to a small number of appropriately vetted staff in our Intelligence Unit and solely for enforcement purposes – that is, criminal investigations with a view to the prevention, detection and prosecution of crime. The UKFIU and the Commission will work together to ensure the requirements for the use of the information held in the relevant UKFIU databases are met on an ongoing basis.

⁴ <http://www.nationalcrimeagency.gov.uk/publications/116-submitting-a-sar-within-the-regulated-sector/file>

Whilst the content of the SARs database is itself restricted, the URNs themselves are marked as *unclassified*⁵, serving as a reference point which enables further data retrieval. The provision of URNs to the Commission in a timely manner serves the dual purpose of allowing us to corroborate the information we already receive as part of the regulatory returns process – giving a basic level of assurance that operators are taking their reporting obligations seriously and managing ML risk – as well as being a means of data retrieval in the circumstances outlined above (i.e. for enforcement purposes only) – allowing us to support law enforcement partners as required.

Some concern was voiced by respondents that this new requirement may create follow-up requests and obligations for further particulars to be supplied by licensees to the Commission. In our view, this requirement is no different to any other type of disclosure that is made to the Commission by licensees. As ever, we expect licensees to fully cooperate with the Commission and its partners during regulatory and criminal proceedings.

As a risk-based organisation, we are of course keen that risk is mitigated before it is allowed to have a detrimental impact, and for that reason, we recognise that the process which leads to the submission of a SAR in the first place is one that needs to be clear and effective in order for the industry as a whole to manage ML risk robustly and consistently. Whilst the management of this process is the responsibility of operators, the Commission is committed to continuing to work with the industry – providing advice and guidance as necessary – to keep ML, including criminal spend, out of gambling.

We have responded to individual queries about the consent regime previously and will be publishing a revised version of our POCA advice document shortly, which gives additional advice in this area. We anticipate undertaking stakeholder engagement activity throughout the rest of this year and beyond, on this and related developments (such as the National Risk Assessment of ML being conducted by HM Treasury and the Home Office), to continue fostering good practice in this area.

In conclusion, following the supplementary consultation on submitting SAR URNs to the Commission, we will proceed with the amendment as proposed in the consultation.

We do not consider that the responses to the supplementary consultation raised any new substantive issues which justify a change in approach, and thus remain of the view that the Commission should, by way of a key event, receive the URNs of SARs and/or requests for appropriate consent which operators have submitted, within five working days of the URN being allocated and received by the operator.

The key event proposed in the supplementary consultation slots into the broader list of key events currently in existence in LCCP, which are notifiable to the Commission ‘...as soon as reasonably practicable and in any event within five working days...’.

It is important that the Commission receives this information within five working days, rather than as part of information submitted annually or quarterly in regulatory returns in order to ensure that we can support the work of the UKFIU in real-time. We consider the five working day period from receipt to be ample for operators to supply the URNs to the Commission. The Commission has taken on board the consultation responses regarding the method by which the Commission will receive the URNs from licensees.

We received a suggestion that the automated response received by operators who submit SARs online could be manually or automatically forwarded to the Commission by operators via email (rather than through the online key events portal). This could potentially be a neat solution for those submitting SARs online (a method which the UKFIU prefers) and would not appear to create a barrier to the five working day period for relaying the URN to the Commission as per our proposal; it may not be the most appropriate solution for those submitting SARs manually, however.

⁵ As per the Government protective marking scheme (GPMS), in place until April 2104.

We are, of course, keen to ensure that our requirements are not over burdensome, and, as such, we will commit to reviewing the practicalities of submissions relating to this requirement after an initial period of the requirement being in place, to ensure it remains an efficient and effective means of achieving our objectives.

Overall the Commission does not feel that any change is necessary to the licence condition as set out in the supplementary consultation. We will continue to consider the optimum process of the reporting of this new key event to the Commission by licensees and will be able to provide direction on this in due course, prior to this new requirement coming into force.

Extract from key events reporting licence condition: submission of suspicious activity report unique reference numbers to the Commission⁶

All licences

Licensees must notify the Commission, or ensure the Commission is notified, in such form or manner as the Commission may from time to time specify, of the occurrence of any [of the following] key events as soon as reasonably practicable and in any event within five working days:

- 24** The making of a disclosure pursuant to section 330, 331, 332 or 338 of the Proceeds of Crime Act 2002 or section 19, 20, 21, 21ZA, 21ZB or 21A of the Terrorism Act 2000 (a suspicious activity report): the licensee should inform the Commission of the unique reference number issued by the United Kingdom Financial Intelligence Unit of the National Crime Agency in respect of each disclosure and for the purposes of this key event the five working day period referred to above runs from the licensee's receipt of the unique reference number.

- 3.9** The full amended licence condition 15.2.1 is set out in Annex A to this paper and will be included in the consolidated version of LCCP published shortly after this document.

⁶ To see this extract in the context of the full key events licence condition, please see Annex A.

4 Amendments specific to remote gambling operators

Gambling software and providers

Consultation proposal

- 4.1 The Commission proposed in the consultation document to introduce a condition requiring Commission licensed remote gambling operators to source their gambling software from Commission licensed gambling software businesses. The consultation document explained that it is important that operators involved in the development of and/or the supply of gambling software are licensed. This would provide assurance about the integrity of the product and minimise the risk that unsuitable individuals profit from or are associated with gambling.

Consultation question

- Q19. Do you agree with the proposal that all gambling software used by a Commission remote licensee (wherever its key equipment is located) must be supplied by a gambling software licence holder?

Respondents' views

- 4.2 The Commission received approximately 30 individual responses on its proposals to require all gambling software used by a Commission remote licensee to be supplied by a gambling software licence holder.
- 4.3 The majority of respondents supported the principle behind the proposal, but stated that there was a need for Commission guidance on the application of this provision to explain further what constitutes gambling software. Respondents also stated that gambling software supply chains can be complex and that it was important to ensure the provision applied to those operators which had an impact on the gambling. Three respondents from the machines sector (a sector to which this provision does not apply), opposed the proposals because they felt it might limit the number of gambling software suppliers available. They suggested instead that testing to technical standards should be sufficient.
- 4.4 Finally, six respondents asked the Commission to implement transitional arrangements to allow operators extra time to ensure their supply chains are correctly licensed.
- 4.5 The Commission carried out a further consultation workshop in January 2014 on gambling software, at which the issues about the supply chain and interpretation of the definition of gambling software were discussed further with relevant industry stakeholders. During the workshop, operators raised concerns that it would be virtually impossible to ensure that all gambling software operators could comply with the proposed requirement if it were brought in during 2014, because those requiring licences for the first time would not have sufficient time to apply and be granted a licence.

The Commission's position

The Commission has carefully considered the responses received and the issues raised during all of the consultation workshops.

The Commission considers that this provision is important both to ensure the integrity of gambling software and to keep crime out of gambling. We have amended the drafting of the provision to ensure it better reflects the intended aims of the proposal.

As such, the final provision clarifies that licensed operators must only use gambling software that has been manufactured by, and supplied to them by, the holder(s) of gambling software licences. Installation and adaptation must also only be undertaken by gambling software licence holders. The Commission is aware that supply chains can be complex involving many different parties. The Commission does not intend to require each and every business within an extended supply chain to hold a gambling software licence. The Commission will also be publishing further advice on what we consider to be gambling software. The advice will set out what activities the Commission considers to meet the definitions of 'manufacture', 'supply', 'installation' and 'adaptation' of gambling software. The Commission intends to publish this advice in May following further discussions with stakeholders.

In keeping with the Commission's intention to ensure a smooth transition of those operators currently legally targeting the British market from overseas to the point of consumption licensing which will be implemented under the Gambling (Licensing and Advertising) Bill, the Commission has announced that this provision will come into force **on 1 January 2015**. This is because gambling software businesses will not be subject to formal continuation rights which will be set out in the government's statutory instrument. Therefore delaying the date at which this provision comes into force will enable current arrangements to continue and allow time for operators to ensure their suppliers are correctly licensed.

This does mean that by 1 January 2015 operators will have to cease using gambling software manufactured, supplied, installed or adapted by any entity that should (by virtue of this condition) hold a gambling software licence, but that does not hold such a licence. Operators should therefore enter into dialogue with their suppliers to ensure that relevant businesses hold a gambling software licence by 1 January 2015 and gambling software businesses should consider with their advisors whether they need a licence.

Gambling software businesses that will need to obtain a gambling software licence but who also run or operate the software for B2C or other B2B operators (for example those providing platforms or networks) are likely to be providing facilities for gambling. They will also need to consider if they are eligible for and indeed need a continuation licence to continue operating software used to provide facilities for gambling in Britain.

In summary, the further advice that the Commission will issue, to generally assist the industry, will cover:

- what we consider to be 'gambling software' and what activities we consider amount to the 'manufacture', 'supply', 'installation' and 'adaptation' of gambling software; and
- reiterating the Commission's position on the difference between providing facilities for gambling and operating a gambling software business.

The final condition is set out below.

Licence condition: Gambling software

All remote casino, bingo and betting licences other than ancillary licences and remote betting intermediary (trading room only) licences

Additions following the consultation are marked in **bold**, and deletions following the consultation are marked in ~~strikethrough~~.

This provision will come into force on 1 January 2015

~~All gambling software¹ used by the Licensee must have been manufactured by a holder of a gambling software operating licence. Such software must only be installed or adapted by the holder of such a licence.~~

All gambling software¹ used by the Licensee must have been manufactured by the holder of a gambling software operating licence. All such gambling software must also be supplied to the Licensee by a holder of a gambling software operating licence. Such software must only be installed or adapted by the holder of such a licence.

¹As defined in section 41(2)&(3) of the Act

Poker and other networks

Consultation proposal

- 4.6** In the consultation document, the Commission explained the structure of networks and how they operate, specifically the roles of the business to customer (B2C) operators and business to business (B2B) network operators.
- The 'B2C operator' is the customer acquisition operator and is responsible for registering the player, age and identity verification, marketing and generally processing deposits and withdrawals by the player
 - The 'B2B network operator' will host players sent from the B2C operators and provide the actual gambling (eg poker). The B2B network operator is responsible for the fairness of the gambling. The B2B network operator will often pool players from B2C operators in multiple jurisdictions.
- 4.7** The Commission also explained that both the B2C operator and the B2B network operator are providing facilities for gambling (as defined in section 5 of the Act) and will require the appropriate operating licence⁷ from the Commission.
- 4.8** The Commission proposed in the consultation document to introduce two new provisions that covered B2B network operators. The first provision related to peer to peer gaming (ie poker) networks, and the second to other networks. Both provisions addressed the following aspects:
- Participation by British players in network arrangements.
 - Information sharing arrangements.
- 4.9** The poker network provision also included aspects relating to:
- Pooling British and non-British player liquidity.

Participation by British players in network arrangements

- 4.10** The Commission considered it appropriate that both poker and other B2B networks have measures in place to ensure that British consumers participating in network arrangements do so via a Commission licensed business to consumer (B2C) operator.
- 4.11** The consultation document therefore proposed a new condition to require both poker and other networks to have policies and procedures in place to achieve this. The proposed condition stated that the policies and procedures should include measures to minimise the risk that British consumers participate via unlicensed B2C operators, and effective procedures for dealing with any breaches of this requirement and preventing future breaches.

Information sharing arrangements

- 4.12** The Commission has made clear the importance of operators being able to fulfil their regulatory obligations to the Commission regardless of how they structure and arrange their gambling business. This gives operators flexibility on how to manage their day-to-day business whilst still ensuring that all those involved in the provision of facilities for gambling take their responsibilities seriously. Network gambling arrangements - where the B2B network and the B2C operators are responsible for different aspects of the gambling - raise particular challenges in terms of sharing information that enables all parties to discharge their regulatory obligations.

⁷ A gambling software licence only authorises a business to manufacture, supply, install and adapt gambling software. It does not authorise the holder of such a licence to provide facilities for gambling.

4.13 The Commission therefore proposed to introduce a condition (for both poker and other networks) requiring the B2B network to have appropriate information sharing arrangements in place that enable it and B2C operators licensed by the Commission which use the network to discharge their regulatory responsibilities. This will require information to be shared between the B2B network and other B2C operators, whether or not the B2C operator is licensed by the Commission.

Pooling British and non-British player liquidity

4.14 The Commission proposed in the consultation to introduce a condition that would apply only to B2B networks that provide peer-to-peer gaming (ie poker networks). This condition would seek to mitigate the poker network specific risks, in particular the risk that players attempt to collude and cheat other participants in the poker room and/or chip dump in order to launder money.

4.15 In proposing this condition, the Commission was also mindful that an overseas licensed B2C operator will be subject to different regulatory requirements and therefore there is a risk that players enter the network via differing and potentially less stringent controls. This in turn increases the risk that criminal money may enter the network and/or the risk of collusion or cheating against British players.

4.16 The consultation document set out a proposed condition that poker networks which pool British players with players that have entered via a non-Commission licensed operator must have effective measures in place in the following areas:

- The B2B network operator must ensure that gambling operators not licensed by the Commission hold the appropriate permissions in the country in which they are based.
- The B2B network must approve gambling operators not licensed by the Commission as being suitable, having conducted due diligence enquiries.
- In considering the suitability of gambling operators not licensed by the Commission, the B2B network operator must in particular satisfy itself that such operators have in place measures to identify customers, which are broadly equivalent to the Third Money Laundering Directive.

Consultation questions

Q20. Do you agree that the condition relating to 'pooling British and non-British player liquidity' should only apply to peer-to-peer gaming networks?

Q21. Do you agree with the Commission's approach not to restrict player liquidity to only include those players that enter via a Commission licensed operator?

Q22. Are you aware of any examples where a B2B network operator also contracts directly with customers?

Respondents' views

4.17 The Commission received 17 individual responses to this section of the consultation.

4.18 The majority of respondents agreed with the Commission proposal to only apply a condition relating to the pooling of British and non-British player liquidity, to peer-to-peer gaming (ie poker) networks. Most respondents also agreed with the Commission's proposal not to restrict player liquidity for network arrangements to only those players that enter the network via a Commission licensed operator.

- 4.19** One respondent to question 22 thought it may be possible for a B2B network to contract directly with customers. Another respondent felt that licence conditions should be flexible enough to cope with innovations and that the provision should therefore be amended to ensure that it covered a situation where a B2B network may contract directly with customers.
- 4.20** Discussions with another stakeholder raised the question whether the Commission intended the provision to catch bingo played across multiple non-remote premises as such activity is undertaken in reliance on a remote bingo licence (as well as ancillary remote licences for the non-remote operators). Another stakeholder asked whether the provision was intended to cover B2B betting intermediary networks.
- 4.21** A number of respondents expressed concern about the Commission's definition of 'British activity', in particular that the Commission was adopting a different definition to that used by Treasury in the taxation proposals, which might cause difficulties in implementation.
- 4.22** A small number of operators also expressed concern that the Commission 'does not consider it appropriate to define which obligations in LCCP apply to which entity (ie the B2B and the B2C)'.
- 4.23** A few respondents to proposals in this consultation and some of those attending consultation workshops suggested that the Commission should consider further how complaints and disputes should be handled in poker and other networks. In particular, these respondents highlighted the potential for confusion and/ or conflict in the arrangements for handling customer complaints and disputes, and the referral of disputes to an Alternative Dispute Resolution entity (ADR entity).

The Commission's position

The Commission has made a number of changes to this provision in response to comments made during the consultation.

We have made a minor amendment to the condition to ensure that it is compatible with potential future arrangements, where B2B networks might contract directly with players.

We have included remote betting intermediaries within scope of the 'other networks' condition, because these types of operators should address the risks covered by this provision. However, we have excluded the National Bingo Game (and any other similar arrangements) from the 'other networks' provision because customers can only play these games in non-remote premises and therefore the same risks do not apply.

The Commission has added a new paragraph about complaints and disputes to both the 'poker network' and 'other network' provisions. This requires that B2Bs and B2Cs work together to ensure that complaints and disputes are handled appropriately between them, and that conflicts are managed.

The Commission does not consider it necessary or desirable to define or restrict the activities that are undertaken by B2Cs and those that are undertaken by B2Bs. It is for the B2Cs and B2Bs to determine which aspects of the gambling provision are covered by whom so that consumers are protected by the provisions of LCCP and related requirements (eg technical standards). This gives operators flexibility on how to structure and manage their day-to-day business.

In response to concerns expressed about the definition of British activity, the Commission has engaged further with stakeholders and explained that the Commission must and believes it should follow the terms and definitions set out in the Gambling (Licensing and Advertising) Bill, which sets out the extent of the licensable activity. The gambling legislation is aimed at protecting all those who gamble in Britain just as other consumer legislation covers all those who consume in Britain, whether or not normally resident. This is unlike tax legislation which typically treats those not normally resident differently from residents.

However, we have also explained that where an operator demonstrates that it has taken all reasonable steps to comply with licensing requirements connected with the definition (such as using its fraud and collusion prevention processes to assess the location of players and making it clear to players the terms on which they gamble when in Britain), the Commission will take this into account for compliance and enforcement.

Licence condition: poker networks

Remote casino licences (except ancillary remote licences)

Additions following the consultation are marked in **bold**, and deletions following the consultation are marked in ~~strikethrough~~.

All licensees who provide facilities for peer to peer gaming in circumstances in which they do not contract directly with ~~all~~ **any** of the players using those facilities (“network operators”) must have, put into effect and monitor the effectiveness of, policies and procedures designed to ensure that:

- 1** every player using the facilities in Great Britain (“a domestic player”) is doing so pursuant to a contract entered into between that player and **the network operator, or that player and** another holder of a Gambling Commission remote casino operating licence;
- 2** every player who is not a domestic player but who participates in a game of chance in which a domestic player also participates is doing so pursuant to a contract between that player and **the network operator, or that player and** another holder of a Gambling Commission remote casino operating licence, or a gambling operator not licensed by the Gambling Commission through which participants use the facilities outside Great Britain and which:
 - i** holds all licences or permissions (if any) required in relation to its provision of facilities for peer to peer gaming by the laws of the state or states in which it is domiciled or incorporated;
 - ii** has been approved by the network operator, after conducting due diligence enquiries into those individuals who appear to the network operator to have a material financial interest in it, as suitable to provide those facilities; and, in particular,
 - iii** has in place policies and procedures in respect of the identification of customers which in the network operator’s reasonable opinion satisfy requirements as to customer due diligence broadly equivalent to those set out in Directive 2005/60/EC (“the Third Money Laundering Directive”) or any subsequent replacement for or re-enactment thereof;

- 3 the arrangements between the network operator and any remote casino licence holder through which domestic players access their facilities, and with gambling operators not licensed by the Gambling Commission through which players use their facilities outside Great Britain, provide in clear terms which operator is to be responsible for the handling of which categories of customer complaint and dispute; in particular such arrangements must provide how a dispute involving players from more than one jurisdiction is to be handled;
- 4 the network operator's arrangements for the sharing of information both with any remote casino licence holder through which domestic players access their facilities and gambling operators not licensed by the Gambling Commission through which participants use the facilities outside Great Britain are such as to enable all parties to discharge effectively their respective regulatory obligations, in particular in relation to:
 - i prevention of money laundering; **combating** the financing of terrorism; **and where applicable, the Proceeds of Crime Act.**
 - ii investigation of suspected cheating,
 - iii combating of problem gambling, and
 - iv investigation of customer complaints.

Licence condition: other networks

Remote casino, bingo, betting intermediary and pool betting licences (except ancillary remote licences)

Additions following the consultation are marked in **bold**, and deletions following the consultation are marked in ~~strikethrough~~.

- 1 Subject to 2 below, all licensees who provide facilities for gambling, other than peer to peer gaming, in circumstances in which they do not contract directly with ~~all any~~ of the participants using those facilities ("network operators") must have, put into effect and monitor the effectiveness of policies and procedures designed to ensure that:
 - a. every participant using the facilities in Great Britain ("a domestic customer") is doing so pursuant to a contract entered into between that player and **the network, or that player and** another holder of a Gambling Commission remote operating licence of the same kind as that held by the network operator ("a relevant licence");
 - b. **the arrangements between the network operator and any holder of a relevant licence through which domestic customers access their facilities, and with gambling operators not licensed by the Gambling Commission through which customers use their facilities outside Great Britain, provide in clear terms which operator is to be responsible for the handling of which categories of customer complaint and dispute; in particular such arrangements must provide how a dispute involving customers from more than one jurisdiction is to be handled;**
 - c. the network operator's arrangements for the sharing of information both with any holder of a relevant licence and gambling operators not licensed by the Gambling Commission through which participants use the facilities outside Great Britain are such as to enable all parties to discharge effectively their respective regulatory obligations, in particular in relation to:
 - i prevention of money laundering; **combating** the financing of terrorism; **and where applicable, the Proceeds of Crime Act.**
 - ii investigation of suspected cheating,
 - iii combating of problem gambling, and
 - iv investigation of customer complaints.

2 Paragraph 1 above does not apply to the provision to the holder of a non-remote bingo operating licence (H) of facilities for the playing of games of bingo organised by H in premises in respect of which a bingo premises licence has effect (eg the National Bingo Game).

Payment methods and processors

Consultation proposal

- 4.24** The consultation document explained that, as part of overall appropriate financial management, we consider it important that gambling operators use payment processors that provide an appropriate standard of customer protection and controls against money laundering, that is to say those that are set by the Financial Conduct Authority (FCA). Experience over the past few years has suggested that payment processing can present a risk to the licensing objectives and to anti-money laundering controls.
- 4.25** The consultation document therefore proposed a new licence condition which would restrict remote gambling operators to using ‘payment service providers’ as defined in the Payment Services Regulations 2009 (‘the Regulations’).
- 4.26** A ‘payment service’ is defined in the Regulations as including the execution of certain types of payment transaction, including those executed through a payment card or similar device. A ‘payment transaction’ is defined as an act (initiated by either the payer or the payee) of placing, transferring or withdrawing funds, irrespective of any underlying obligation between the payer and the payee. And ‘funds’ includes electronic money.
- 4.27** The consultation document explained that, very broadly, the criteria for authorisation as an electronic money or payment institution involve being a body corporate registered in the UK, minimum capital requirements and satisfying the FCA that there are in place sufficiently robust governance arrangements, that owners and managers are fit and proper persons and that there are sufficient procedures in place for safeguarding service users’ funds. All of these entities must comply with the conduct of business requirements set out in the Regulations on an ongoing basis.
- 4.28** There is a range of organisations or institutions which are either not within the scope of the Regulations or are exempt from authorisation pursuant to the Regulations but nevertheless fall within the Regulations’ definition of a payment service provider. These include:
- a small payment institution (as defined in the Regulations);
 - a European Economic Area (EEA) authorised payment institution;
 - a credit institution authorised in the UK or exercising EEA rights;
 - an electronic money institution which is registered in the UK as an authorised electronic money institution or small electronic money institution or is an EEA authorised electronic money institution exercising passport rights;
 - the Post Office Limited;
 - the Bank of England or a European central bank or national central bank of an EEA state other than the UK; or
 - a government department or local authority,
- Further, the Regulations do not apply to credit unions, municipal banks or the National Savings Bank, although these bodies must register with the FCA if providing payment services.

- 4.29** The Regulations allow for passporting of an authorised payment institution. An institution which intends to exercise its passport rights for the first time in a particular EEA state must give the FCA a notice of its intention in such form as the FCA may require. The FCA must then inform the host state’s competent authority of the payment institution’s details. Regulation 24 governs the registration of an EEA branch, registration of which may be refused if (taking into account any information received from the host state’s competent authority) there are reasonable grounds to suspect a risk of money laundering.
- 4.30** However, the Regulations apply only to providing a payment service as a business in the UK. Payment services from inside the EEA are caught only insofar as they provide payment services in the UK, and services provided from outside the EEA (even if provided to customers in Britain or in the EEA) are not caught. What matters is where the service is provided, not where the customer is based. Many jurisdictions outside the EEA have requirements which can be considered equivalent to the Regulations but of course the approach and method taken varies from jurisdiction to jurisdiction.
- 4.31** The consultation therefore asked in particular about payment services outside this system of regulation and any possible means of assuring that the same standards are applied to payment services outside the EEA which an operator wishes to use.

Consultation question

- Q25. Do you have any comments on the draft licence condition proposing that remote operators use only those payment service providers within the definition of regulation 2 of the Payment Services Regulations 2009?
- Q26. Do you use an additional payment processor that would NOT meet the proposed new condition but which you consider to be an appropriate form of payment service?

Respondents’ views

- 4.32** The Commission received 23 individual responses relating to this topic. The majority of respondents had no objections or agreed with the proposal, and some of these raised queries about the provision (see below). One of the respondents who agreed with the proposal suggested this approach should be the minimum taken by the Commission. Five respondents considered the proposals unnecessary and felt the Commission should have no role in assessing suitability of payment processors when it should be satisfied that it regulates only high-quality and honest operators. One respondent disagreed with the approach and suggested that a risk-based approach would be better. Four respondents raised queries about the possible impact of the provision and would be for or against the proposal depending on the answer to those queries.
- 4.33** The most common query about this provision concerned the impact it might have on the use of payment services outside of Britain or the UK. Respondents were unsure whether the drafting would permit payment services which are outside of the scope of the Regulations. Many respondents called for the Commission to permit the use of such payment services if the Commission was satisfied that an operator had carried out sufficient due diligence.
- 4.34** One respondent queried whether the drafting did exclude ancillary remote licences as had been indicated as the aim in the consultation document. Two respondents asked if payments between companies in the same group would be caught by the provision.

The Commission's position

Respondents to the consultation were very clear that some operators would wish to continue to use payment services appropriate for their customers based in jurisdictions other than Britain, and indeed outside of the EEA. In consultation workshops, some stakeholders suggested that the Commission maintain a register of 'Commission-approved' payment service providers in order to enable operators to continue to do use services outside the EEA and therefore not be restricted only to those registered or authorised under the Regulations.

At this stage, the Commission does not consider it necessary for the Commission to maintain such a register. Instead, the Commission will – as suggested by respondents to the consultation - look to operators to carry out due diligence for the payment services which they use.

This means that operators must satisfy themselves that any payment service they wish to use is either:

- authorised or registered by the FCA
- exempt from the Regulations
- authorised or registered with a regulator in another EEA jurisdiction.

The FCA keeps and makes available on their website a register of those they authorise in this area as do their equivalent regulators across the EEA.

If one of the options above does not apply, further due diligence should be carried out so that the operator can satisfy themselves that the payment service is appropriate.

No changes were needed to the licence condition in order to achieve this.

The Commission asks remote operators about both the payment methods and the payment processors which they use at application stage. In order for the Commission to be able to check that due diligence is being carried out on an ongoing basis, we will also require changes in the type of payment methods or payment processors to be notified to the Commission as a key event. An additional key event has therefore been added to licence condition 15.2.1 – see below, and in Annex A.

In response to the specific query about ancillary remote operators, we can confirm that the provision does not apply. The heading already reflects this position and does not need to be amended.

Equally, the provision does not apply to payments between companies in the same group because the provision only applies to 'payments from customers using their gambling facilities'.

All remote casino, bingo and betting operating licences, except ancillary and remote betting intermediary (trading room only) licences

- 1 Licensees should only accept payment from customers using their gambling facilities in Great Britain by a method which involves the provision of payment services as defined in Schedule 1 Part 1 of the Payment Services Regulations 2009 (SI 2009 No 209) **if** the provider of those services is a 'payment service provider' within the definition of that term in regulation 2 of those Regulations.

Extract from key events reporting: Changes to payment methods and processors (see Annex A)

Remote casino, bingo and betting operating licences, except ancillary and remote betting intermediary (trading room only) licences

Licensees must notify the Commission, or ensure the Commission is notified, in such form or manner as the Commission may from time to time specify, of the occurrence of any [of the following] key events as soon as reasonably practicable and in any event within five working days:

- 17** Any change in the licensee's arrangements as to the methods by which, and/or the payment processors through which, the licensee accepts payment from customers using their gambling facilities (this key event applies to remote casino, bingo and betting operating licences, except ancillary and remote betting intermediary (trading room only) licences).

- 4.35** The full amended licence condition 15.2.1 is set out in Annex A to this paper and will be included in the consolidated version of LCCP published shortly after this document.

Display of licensed status

Consultation proposal

- 4.36** Remote licensees are required under the existing licence condition on this topic to display certain information on their website explaining that they are licensed by the Commission, stating their licence number and providing a link to the Commission website. The Bill reforms will, once implemented, require that operators which transact with British consumers are licensed by the Commission. As a result, the Commission proposed in the consultation document to amend the existing provision removing the requirement (marked as (c) in the original provision) that required licensees to distinguish between products on their website that are licensed by the Commission from those that are not licensed by the Commission. This was because that scenario will no longer be possible in respect of British customers once the Bill is implemented.

Consultation question

- Q27. Do you agree with the Commission proposals to remove (c) from the current licence condition about the display of licensed status?

Respondents' views

- 4.37** The Commission received 20 individual responses to this proposal. The majority of respondents agreed with the provision outright or with the principle of providing clear information to consumers.
- 4.38** Some respondents flagged that many operators do not have a separate and dedicated UK or British facing website and, because they are dual licensed, are required to display the logo of another regulator as well as the information required by the Gambling Commission. Those respondents were concerned that they would not be able to comply with the provision as drafted. Some suggested that in circumstances of dual licensing, the provision should enable operators to distinguish which regulatory authority covered which activity.

The Commission's position

The Commission has made a number of changes to this provision both as a result of responses to the consultation, and as a result of comments made during the consultation workshops and during the passage of the Bill through Parliament.

The Commission has specified that the link from an operator's website must be to their current licensed status as recorded on the Commission's website. A link will be provided to operators to enable them to complete this process.

To reflect concern that the draft provision would be incompatible with requirements of other jurisdictions where operators are also regulated, the Commission has added the provision at paragraph 3b. This has the effect of enabling licensees to display details of other licences as well as the Gambling Commission licence. However, in this scenario, the Licensee must make clear that it provides facilities for gambling to people in Britain **only** via the Commission licence.

The Commission will implement the provision by retaining some of the existing condition (now paragraph 3a) which will remain in force prior to the implementation of the Bill later this year. Following implementation of the Bill, this will no longer apply and the new provision at paragraph 3b will come into force.

The Commission has made a number of minor changes to update the technological references in the provision and to enable it to adapt better to future technological changes. For example, instead of referring to 'webpages', the revised provision refers to 'screens'. This ensures that the provision applies to mobile devices to reflect advances in technology since the provision was originally drafted.

The wording of this provision gives the Commission the ability to set requirements specific to certain categories of technology or products in technical standards or otherwise notified to licensees. For example, the Commission can specify details about the location or size of information about display of licensed status on screens, or can take account of older or more restricted technologies if necessary. The current technical standards achieve this by setting requirements for 'restricted display devices' but this approach could be updated in the future to refer to different technologies.

The final provision is set out below.

All remote casino, bingo and betting licences other than ancillary licences and remote betting intermediary (trading room only) licences

Additions following the consultation are marked in **bold**, and deletions following the consultation are marked in ~~strikethrough~~.

- 1 Licensees ~~offering gambling on websites~~ **providing facilities for remote gambling** must display on every ~~page~~ **screen** from which customers are able to access gambling facilities provided in reliance on this licence:
 - (i) a statement that they are licensed and regulated by the Gambling Commission;
 - (ii) a link (which will be supplied by the Commission) to their current licensed status as recorded on the Commission's website.
- 2 Such statement and link must be in the format, provided by the means, and contain the information from time to time specified by the Commission in its technical standards applicable to the kind of facilities for gambling provided in accordance with this licence or otherwise notified to Licensees for the purposes of this condition.

Item 3a will remain in force until the Gambling (Licensing and Advertising) Bill is implemented.

3a Where they offer on pages of a website, or by means of a link from a website, facilities for gambling which are not provided in reliance on their Gambling Commission licence, licensees must clearly distinguish those products which are regulated by the Commission from those which are not.

Item 3b will come into force on the date of implementation of the Gambling (Licensing and Advertising) Bill.

3b Licensees may also display on screens accessible from Great Britain information about licences or other permissions they hold from regulators in, or by virtue of the laws of, jurisdictions outside Great Britain provided it is made plain on those screens that the Licensee provides facilities for gambling to persons in Great Britain only in reliance on their Gambling Commission licence(s).

Live dealer studios

Consultation proposal

4.39 During the consultation process the Commission received enquiries regarding the licensing of live dealer studios. Live dealer studios consist of gambling facilities such as card tables and roulette wheels that have dealers and croupiers generating a result which is then broadcast live to players who participate in the game via the website of a (B2C) gambling operator. Often the tables will carry the branding of the gambling operator. In most cases live dealer studios do not themselves take bets on the outcome of the spin of the wheel or dealing of a hand of blackjack.

Respondents' views

4.40 Although a specific question was not asked on this topic, respondents expressed a desire for clarity on the licensing requirements for live dealer studios and that these requirements should be proportionate. Several stakeholders raised their concerns that the Commission would require dealers and croupiers to hold personal functional licences (PFLs) on the basis that there was a high turnover of staff and it would therefore be difficult to manage the licensing of these employees.

The Commission's position

The company (B2C) accepting the stake will be providing facilities for gambling (in the circumstances under discussion, gaming) and will require a remote casino operating licence.

The Commission has considered two main aspects of the licensing arrangements for the live dealer studio.

Firstly, whether the live dealer studio itself is providing facilities for gambling and therefore would also require a remote casino operating licence. It is the Commission's view that in providing the result via a roulette wheel or dealing of cards as well as providing the dealer or croupier to run the game, the live dealer studio **is** providing facilities for gambling. On that basis the live dealer studio must hold a remote casino operating licence if they provide their service to other gambling operators that use a Commission operating licence to accept stakes on the outcome of those casino games from players.

Secondly, the Commission considered whether the dealers and croupiers employed by live dealer studios should be required to hold Personal Functional Licences (PFL) as their counterparts in a land-based casino would. It is the Commission's opinion that PFLs should not be required for the dealers and croupiers. This is on the basis that customers are not present in a live dealer studio and therefore there is less risk to the integrity of the games and any communication between customers, and dealers and croupiers is restricted and monitored. Where appropriate, the Commission will require the key staff of a live dealer studio who ensure the integrity and fairness of the gambling offering to hold Personal Management Licences (PML). This will be considered during the licence application process.

Whilst this was not specifically consulted on during the LCCP consultation, the Commission intend to make a minor amendment to the heading of a section of licence condition 1.2. This change to the heading will mean that only croupiers and dealers at non-remote casinos will be required to hold PFLs.

Extract of licence condition 1.2

Additions following the consultation are marked in **orange**, and deletions following the consultation are marked in ~~strikethrough~~.

All **non-remote casino operating licences ~~except ancillary remote licences~~**

All casino operating licences, except ancillary remote licences

In addition to paragraphs (a) to (g) above, licensees must ensure that if any of the following operational functions:

- dealer in respect of casino games
- cashier
- inspector
- security staff employed to watch gaming
- supervisor of gaming activities

is performed in connection with the licensed activities, it is performed by an individual who holds a personal licence authorising performance of the function (hereafter 'a personal functional licence'). Licensees must take all reasonable steps to ensure that anything done in the performance of those functions is done in accordance with the terms and conditions of the personal functional licence.

5 Summary of current stages of LCCP amendments

- 5.1** The Commission periodically reviews aspects of its regulatory approach, including the *Licence conditions and codes of practice* which apply to Commission licensees. Sections 1-3 of LCCP [response to consultation part one](#), explained plans for future areas of work to both LCCP and other documents, such as the *remote technical standards*.
- 5.2** Taking only the planned changes to LCCP, the key stages of current amendments to LCCP are (stages which are already complete at the point of publishing this document are marked in italics):

31 March 2014: [LCCP response to consultation part 1](#) was published.

2 April -
23 April 2014: A short supplementary consultation was conducted on submitting [suspicious activity report unique reference numbers to the Commission](#).

End April 2014: [LCCP response to consultation part 2](#) on protection of customer funds and part 3 (this document) were published.

End April/
Early May 2014: A consolidated version of LCCP will be published shortly, with the majority to come into force at the beginning of August 2014.

May 2014: Sector specific extracts of LCCP will be made available on the Commission's website.

From Summer
2014: Consultation on proposals for strengthening the social responsibility provisions in LCCP and adding to the Commission's *Guidance to Licensing Authorities* following the current review led by Commissioner Rachel Lampard.

Earliest possible
date:
August 2014 At the date of implementation of the Gambling (Licensing and Advertising) Bill, the new requirement for display of licensed status will come into force.

1 January 2015: The new requirements for the licensing of gambling software operators will come into force.

Annex A - Licence condition 15.2.1

This annex illustrates the location of the two changes outlined in this document to licence condition 15.2.1. This will also appear in the consolidated version of LCCP which will be published shortly after this document. The changes are items 17, relating to payment processors and item 24 relating to suspicious activity reporting.

Amended licence condition 15.2.1

15.2.1 Reporting 'key' events

All operating licences, except ancillary remote licences

15.2.1 A key event is an event that could have a significant impact on the nature or structure of a licensee's business. Licensees must notify the Commission, or ensure the Commission is notified, in such form or manner as the Commission may from time to time specify, of the occurrence of any of the following key events as soon as reasonably practicable and in any event within five working days of the licensee becoming aware of the event's occurrence¹.

Operator status

- 1** In the case of licensees which are companies, a petition being presented for their winding up or the winding up of any group company of theirs, or they or any group company being placed in administration or receivership or their directors proposing to creditors a composition in satisfaction of its debts or a scheme of arrangement of its affairs.
- 2** In the case of licensees which are bodies corporate, but not companies, any event substantially equivalent to those listed at 1 above.
- 3** In the case of a licensee who is an individual (or a partner in a partnership licensee) their being presented with a petition for their bankruptcy or sequestration or their entering into an individual voluntary arrangement.

Relevant persons and positions

- 4** In the case of licensees who are companies or other bodies corporate having a share capital, the name and address of any person who (whether or not already a shareholder or member) becomes a shareholder or member holding 3% or more of the issued share capital of the licensee or its holding company.
- 5** Any investment in a licensee which is not by way of subscription for shares.
- 6** The taking of any loan by the licensee, or by a group company who then makes an equivalent loan to the licensee, from any person not authorised by the Financial Conduct Authority: a copy of the loan agreement must be supplied.
- 7** The entering into an arrangement whereby a third party provides services to, or grants any licence concession or permission to, the licensee other than for full value: full details of the arrangements must be supplied.
- 8** The appointment of a person to, or a person ceasing to occupy, a 'key position': a 'key position' in relation to a licensee is:
 - a. in the case of a small-scale operator, a 'qualifying position' as defined in the Gambling Act 2005 (Definition of Small-scale Operator) Regulations 2006
 - b. in the case of an operator which is not a small-scale operator, a 'specified management office' as set out in (current) LCCP licence condition 1.2
 - c. a position the holder of which is responsible for the licensee's anti-money laundering procedures, including suspicious activity reporting
 - d. any other position for the time being designated by the Commission as a 'key position'. (Notification is required whether or not the person concerned is required to hold a personal management licence and whether or not such the event notified requires the licensee to apply for a variation to amend a detail of their licence.)
- 9** Any change to the structure or organisation of the licensee's business which affects a 'key position' or the responsibilities of its holder.

Financial events

- 10 Any material change in the licensee's banking arrangements, in particular the termination of such arrangements or a particular facility and whether by the licensee or the provider of the arrangements.
- 11 Any breach of a covenant given to a bank or other lender.
- 12 Any default by the licensee or, where the licensee is a body corporate, by a group company in making repayment of the whole or any part of a loan on its due date.
- 13 Any court judgments (in whatever jurisdiction) against the licensee or, where the licensee is a body corporate, a group company, remaining unpaid 14 days after the date of judgment.
- 14 Where the licensee is required to have their accounts independently audited, any qualification to an auditors' report; and any unplanned change of auditor including a change prompted by a dispute or resulting from auditors being unable or unwilling to sign an unqualified audit report.
- 15 Any change in the licensee's arrangements for the protection of customer funds in accordance with the general licence condition 4 relating to the protection of customer funds (where applicable).
- 16 Where the licensee holds customer funds in a separate bank account, any deficit on reconciliation of such bank account.
- 17 **Any change in the licensee's arrangements as to the methods by which, and/or the payment processors through which, the licensee accepts payment from customers using their gambling facilities (this key event applies to remote casino, bingo and betting operating licences, except ancillary and remote betting intermediary (trading room only) licences)**

Legal or regulatory proceedings or reports

- 18 The grant, withdrawal or refusal of any application for a licence or other permission made by the licensee, or in the case of a licensee which is a body corporate, any group company of theirs, to a gambling regulator in another jurisdiction. In the case of a withdrawal or refusal of the application, the licensee must also notify the reasons for such withdrawal or refusal. (This condition does not apply to applications for licences or other permissions to carry on activities which would fall outside the scope of a Gambling Commission operating licence if carried out in Britain or with customers in Great Britain.)
- 19 Any investigation by a professional, statutory, regulatory or government body (in whatever jurisdiction) into the licensee's activities, or the activities in relation to the licensed entity of a personal licence holder or a person occupying a qualifying position employed by them, where such an investigation could result in the imposition of a sanction or penalty which, if imposed, could reasonably be expected to raise doubts about the licensee's continued suitability to hold a Gambling Commission licence.
- 20 The receipt of any report from a professional, statutory or other regulatory or government body (in whatever jurisdiction) of the outcome of a compliance assessment in relation to the gambling activity of the licensee or, where the licensee is a body corporate, of any group company in which at least one person who holds a key position in or in respect of the licensee holds a key position: a copy of the report should be provided where available to the licensee.
- 21 The referral to the licensee's Board, or persons performing the function of an audit or risk committee, of material concerns raised by a third party (such as an auditor) about the provision of facilities for gambling which are expressed (in whatever terms) as requiring attention as a high priority: a summary of the nature of the concerns must be provided.
- 22 The imposition by the licensee of a disciplinary sanction, including dismissal, against the holder of a personal licence or a person occupying a qualifying position for gross misconduct; or the resignation of a personal licence holder or person occupying a qualifying position following commencement of disciplinary proceedings in respect of gross misconduct against that person.

- 23** The commencement (in whatever jurisdiction) of any material litigation against the licensee or, where the licensee is a body corporate, a group company: the licensee must also notify the outcome of such litigation.
- 24** **The making of a disclosure pursuant to section 330, 331, 332 or 338 of the Proceeds of Crime Act 2002 or section 19, 20, 21, 21ZA, 21ZB or 21A of the Terrorism Act 2000 (a suspicious activity report): the licensee should inform the Commission of the unique reference number issued by the United Kingdom Financial Intelligence Unit of the National Crime Agency in respect of each disclosure and for the purposes of this key event the five working day period referred to above runs from the licensee's receipt of the unique reference number.**

Gambling facilities

- 25** Any breach in the licensee's information security that adversely affects the confidentiality of customer data or prevents customers from accessing their accounts for longer than 24 hours.
- 26** Any change in the identity of the ADR entity or entities for the handling of customer disputes, as required by the Social Responsibility Code on complaints and disputes.
- 27** The reference of a dispute to an ADR entity other than one in respect of which contact details were given in accordance with Social Responsibility Code on Complaints and Disputes; the reason for selection of that ADR entity should be given.
- 28** In the case of remote gambling, the commencement or cessation of trading on website domains (*including mobile sites or mobile device applications*) or broadcast media through which the licensee provides gambling facilities.

In this condition:

- i 'body corporate' has the meaning ascribed to that term by section 1173 of the Companies Act 2006 or any statutory modification or re-enactment thereof
- ii in respect of a company, 'holding company' and 'subsidiary' have the meaning ascribed to that term by section 1159 of the Companies Act 2006 or any statutory modification or re-enactment thereof
- iii a 'group company' is any subsidiary or holding company of the licensee and any subsidiary of such holding company.

¹ Key events can be reported securely online at the Commission's website at www.gamblingcommission.gov.uk or by email to key.events@gamblingcommission.gov.uk

Annex B - List of respondents to the LCCP consultation

A total of 52 formal written responses were received during the consultation period and the consultation document was downloaded 616 times from the Commission's website during that period. A list of non-confidential respondents is set out below and the full responses are available on the Commission's website.

Ainsworth (UK) Ltd
Alan Davis Automatics
Association of British Bookmakers
Astra Games Ltd
BACTA
Beacon Bingo Ltd
Betable UK
Bingo Association
BiSL
British Beer & Pub Association
British Holiday & Home Parks Association
British Red Cross Society
Campaign for Fairer Gambling
CARE
Carlton Clubs Ltd
Cashino Gaming Ltd
Casino Operators Association (UK)
Done Bros, T/A Betfred
Fraser Brown
GamCare
Gibraltar Betting and Gaming Association
Gibraltar Gambling Commission
Harry Levy Amusements
Independent Betting Adjudication Service
Inspired Gaming (UK) Ltd
Ladbrokes Betting & Gaming Ltd
London Borough of Newham
National Casino Forum
Noble Organisation
Paddy Power
Playnation Ltd
People's Postcode Lottery
Praesepe Plc
Rank Group PLC
Remote Gambling Association
Richas.com
Roger Etchells & Co
Sceptre Leisure Solutions Ltd
Shipleys Bros Ltd, T/A BJ's Bingo
Sky Betting & Gaming
Sportech Plc
Stardust Leisure Ltd
Talarius Ltd
Thomas's Entertainments Ltd
William Hill PLC

Annex C - List of respondents to the supplementary consultation on submitting suspicious activity report unique reference numbers to the Commission

A total of four formal written responses were received during the consultation period. 141 people visited the webpage for this consultation and there were 65 unique downloads of the document (75 in total). A list of non-confidential respondents is set out below and the full responses are available on the Commission's website.

Done Bros, T/A Betfred
National Casino Forum
Remote Gambling Association
William Hill PLC

Keeping gambling fair and safe for all

For further information or to register your interest in the Commission please visit our website at:
www.gamblingcommission.gov.uk

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LCCP 14/03