

Host licences: your questions answered

Why have you introduced host operating licences?

Before host licences were introduced, B2B companies that hosted games through B2C operators' websites required a **remote casino, bingo, betting (virtual events) or betting (real events)** operating licence, in addition to a **gambling software** operating licence, because in hosting games they *provide facilities for gambling*.

That is, the B2B not only manufactures gambling software but also makes its own games available for play by participants registered with B2C operators, and in accessing the host's games via the B2C's website, the participants gamble in accordance with arrangements made by the host. The B2C operator also requires a remote casino, bingo, betting (virtual events) or betting (real events) operating licence. Before the introduction of the host licence, no alternative licensing arrangements were previously available to B2Bs, even though the operating model is different to that of the B2C.

We explained in our [2015 fees discussion paper](#) that while some of the regulatory costs we incur are common to both B2B and B2C operators (eg game testing, security audit), we would consider whether there was a case for a different licence type for such B2B operators in certain circumstances. A proposal to introduce host licences was therefore included in the [2016 fees consultation](#). Respondents to that consultation stressed that, in relation to the provision of facilities for gambling, a B2B host does not have the same extent of responsibilities (in terms of compliance with the Commission's *Licence conditions and codes of practice* (LCCP)) as a B2C remote operator.

We have considered the costs associated with regulating B2B hosts and B2Cs, and the applicability of the LCCP to each, and we have introduced new host licences that have slightly lower fees for B2B hosts than those for the casino, bingo, betting (virtual events), and betting (real events) licences that B2Cs must hold. The higher fees for the remote casino, bingo and betting licences reflect the greater responsibility that B2Cs have in respect of their own customers eg age verification, self-exclusion.

Who can hold a host operating licence?

Some B2B companies that manufacture software in connection with remote gambling also provide facilities for gambling (as defined in [section 5 of the Gambling Act 2005](#)) by hosting their games on servers that can be accessed through other B2C operators' websites. These B2B companies require a gambling software operating licence for the manufacture, supply, installation or adaptation of software in connection with remote gambling, but a gambling software operating licence does not permit its holder to provide facilities for gambling. Such B2B's will therefore require an additional licence authorising the provision of facilities for gambling.

A host licence authorises the licensee to provide facilities for gambling *only* in circumstances in which the licensee does not contract directly with *any* of the participants using those facilities. Therefore, if a B2B company holds, or simultaneously applies for, a gambling software operating licence and intends to provide facilities for gambling only in circumstances in which it does not contract directly with *any* of the participants who use its facilities (ie its business model includes only a B2B element), then it can apply for a host operating licence. "Participant" in this context refers to the end user who participates in gambling and who has a contract with the B2C operator through whom the facilities can be accessed.

However, if a company holds, or simultaneously applies for, a gambling software operating licence and intends to provide facilities for gambling in circumstances in which it has its own customers, and it also hosts its games through other operators' websites (ie its business model includes *both* B2C and B2B elements), then it will not be eligible to apply for a host licence and will instead need to hold a different kind of remote operating licence depending on the nature of the facilities it provides.

If a company provides facilities for peer-to-peer gaming (eg poker networks) then it will need to hold a remote casino licence and will not be eligible to apply for, or hold, a casino (game host) licence.

What are the host licences?

There are four different types of host licences, and you may need to apply for more than one host licence depending on the nature of the gambling facilities you host. You must also hold or apply for a gambling software operating licence to be able to hold a host licence.

- **Casino (game host) operating licence** – allows you to provide facilities for casino games (games of chance), **only** in circumstances in which you do not contract directly with **any** of the participants using those facilities. This host licence does not allow you to provide facilities for peer-to-peer gaming such as poker networks. The B2C operator through whose platform you host your casino games must hold a remote casino operating licence.
- **Bingo (game host) operating licence** – allows you to provide facilities for bingo games, **only** in circumstances in which you do not contract directly with **any** of the participants using those facilities. The B2C operator through whose platform you host your casino games must hold a remote bingo operating licence.
- **General betting (host) (virtual events) operating licence** – allows you to provide facilities for betting on virtual events, races, competitions or other processes (except games of chance), and **only** in circumstances in which you do not contract directly with **any** of the participants using those facilities. The B2C operator through whose platform you host your betting facilities must hold a remote general betting (standard) (virtual events) operating licence.
- **General betting (host) (real events) operating licence** – allows you to provide facilities for betting on real events, and **only** in circumstances in which you do not contract directly with **any** of the participants using those facilities. The B2C operator through whose platform you host your betting facilities must hold a remote general betting (standard) (real events) operating licence.

What are the restrictions on host licences?

In order to apply for, or be issued, a host licence, a licensee must hold (or simultaneously apply for) a gambling software operating licence.

A host licence authorises the licensee to provide facilities for gambling **only** in circumstances in which the licensee does not contract directly with **any** of the participants that use its facilities. If you do contract with any participant then you will need a remote casino, bingo, betting (virtual events) or betting (real events) operating licence instead of a host licence.

The **casino (game host)** licence does not permit a licensee to provide facilities for peer-to-peer gaming such as poker networks. For this, a licensee will instead need a remote casino operating licence.

It is necessary to hold a separate host licence for the provision of facilities within each of the categories of casino, bingo, betting (virtual events) and betting (real events).

Who needs a gambling software licence?

Gambling software is defined in section 41 of the Act as meaning computer software for use in connection with remote gambling but does not include anything for use solely in connection with a gaming machine. An operator requires a gambling software operating licence if it manufactures, supplies, installs or adapts gambling software.

We hold a remote casino operating licence. Our parent company holds a gambling software operating licence and we rely on that licence under umbrella licensing arrangements. Can I apply for a host licence and rely on that parent company's gambling software licence?

No. One of the key conditions of each of the host licences is that you must also hold (or apply for, and be granted) a gambling software licence. You may wish to contact the Commission to consider a revision to the umbrella structure under which you are currently licensed.

What is the difference between a host/B2B operator and a B2C remote operator, if they are both providing facilities for gambling?

The key distinction in terms of the new host operating licences is that, where a B2B provides facilities for gambling by hosting games, those facilities are **only** made available to the gambling participants of other B2C operators, and the B2B/host does not have a contractual relationship with **any** of those participants. The host therefore cannot have any responsibility for any interaction with the participants (eg transactions, age or payment verification, self-exclusion), because it does not manage its contractual relationship with any end user participants. In contrast, the B2C operator has responsibility for interaction with its own customer base who are the participants.

Some businesses will fulfil the B2B/host business model but will also provide games to consumers via their own website. If the B2B also acts as a B2C it will need a corresponding remote operating licence (a remote casino, bingo, betting (virtual events), or betting (real events) licence), depending on the nature of the facilities it provides, and will not be entitled to hold a host licence.

What is the difference between a host and a gambling software licensee?

If you manufacture, supply, install or adapt gambling software then you will need to hold a gambling software operating licence. Some B2B providers will simply supply their software to B2C operators or other parties and will not have any involvement, post-supply, in the arrangement or delivery of gambling facilities. Those B2Bs would only need to hold a gambling software licence and no more, because they do not provide facilities for gambling.

In contrast, a host operator will host their own games or betting markets through a B2C operator's platform, rather than just supplying their software directly to those businesses. For example, customers of the B2C will be able to access the host's games via the B2C's website (the B2C with whom they are a contracted customer). The host will need to hold a gambling software licence for the manufacture of software ([section 41 of the Gambling Act 2005 \(the Act\)](#)), but will also need a host operating licence because they also provide facilities for gambling by hosting their games ([section 5 of the Act](#)). That is, the customers of the B2C operator will participate in gambling in accordance with arrangements made by the host (i.e. the games are designed and operated *by* the host not the B2C operator).

Will I be required to complete an annual security audit if I hold a host licence instead of a 'full' remote licence?

The Commission's testing strategy for compliance with the Remote Technical Standards (RTS) requires an annual security audit to be carried out by an independent auditor to assess compliance against the security requirements of the RTS. This requirement applies to B2C remote operators but not to gambling software-only businesses. However, the requirement for an annual security audit **will** apply to licensees that hold a remote host operating licence. Before the host licences were introduced there was already a requirement that any B2B that was also licensed as a remote gambling operator (for providing facilities for gambling) would be subject to the full security audit requirements. As host operators provide facilities for gambling, it is important that they complete security audits.

Note that this requirement does not absolve B2C operators of their own responsibilities and we would expect B2Cs to obtain assurances from host operators that they have also completed security audits.

Will I be required to complete an annual games testing audit if I hold a host licence instead of a 'full' remote licence?

The Commission's testing strategy for compliance with the Remote Technical Standards (RTS) requires an annual games testing audit to be carried out by a Commission-approved test house to assess compliance against the requirements of the Remote Testing Strategy. The requirement for an annual games testing audit applies to those operators that hold a gambling software licence and a remote casino, bingo or virtual betting licence, and the requirement *will* also apply to casino (game host), bingo (game host) and betting host (virtual events) licensees. Before the host licences were introduced there was already a requirement that any B2B licensed as a remote gambling operator (for providing facilities for gambling) would be subject to annual games testing audit requirements. As host operators provide facilities for gambling, it is important that they complete the audit.

Which licence conditions and codes of practice apply to my business as a host operator? How does this contrast with the LCCP that apply to those that hold remote casino, bingo or betting licences?

The Commission has published the [LCCP January 2017](#) which was amended to reflect the introduction of the host licences in April 2017. For a quick check list of the LCCP that applies to host licences and a comparison with other remote licences, please see [Appendix G of the fees consultation responses document](#). However, you should refer to the full [LCCP January 2017](#) for detail of each specific licence condition or code of practice.

Why can't Peer to Peer (P2P) network or liquidity operators hold a host licence?

The casino (game host) licence will not allow the provision of network facilities for peer-to-peer gaming, such as poker networks. While P2P network operators do not contract directly with customers, they make arrangements for participants to play against each other and have particular responsibility for monitoring collusion and cheating across the network. The costs to the Commission in regulating P2P network operators mean that it is more appropriate for them to continue to hold the existing remote casino operating licence.

Why is my host licence based on Gross Gambling Yield (GGY) rather than Gross Value of Sales? I don't generate a GGY as a host.

A host provides facilities for gambling, and therefore GGY is generated from participants' losses on those games. The Commission is aware that many hosts have profit share arrangements with B2C operators, whereby the host retains a certain percentage of GGY from the games they host through the B2C's platform, for example a 90/10 split. If the GGY for a particular game hosted is £1m, the B2C is expected to report 90% of the GGY on their regulatory return, and the host should report the other 10% of the GGY on their regulatory return.

We require B2Cs to record the revenue of all products subject to revenue share arrangements as revenue share. To prevent double-counting, each party (B2C and host) must record the amount that it actually receives from the transactions permitted by the licence. In the case of a hosted game, the B2C should record whatever amount is left *after* payment to the B2B (whether that payment is a fixed sum or a percentage of revenue). The host in turn will report the amount it receives from the B2C, so that 100% of GGY is recorded overall for the game.

Where a host receives a fixed payment from the B2C, this should still be counted as GGY (ie an accrual to the host licensee in connection with the licensed activities) through the provision of facilities for gambling. If a host operator hosts all of the games it supplies, then it would be required to report all of its revenue on the Remote Casino, Betting and Bingo regulatory return. If that host operator also obtains revenue from the initial set up of contracts, or from the direct sales of software that it does not host directly to customers, then that revenue should be captured on the Gambling Software regulatory return.

Which parts of the Financial Information sections of the Remote Casino, Bingo, and Betting Regulatory Return forms should I fill in? Should I also complete a Gambling Software regulatory return?

If you are a host operator, the only relevant part of the Financial Information section would be that for “**Business to Business (B2B) providers in a revenue share agreement**”. Many hosts have profit share arrangements with B2C operators, whereby the host operator retains a certain percentage of GGY from the games they host through the B2C’s platform, for example a 90/10 split in favour of the B2C. If the GGY for a particular game hosted is £1m, the B2C would, in the example, be expected to report 90% (£900,000) of that GGY on their regulatory return, and the host should report the other 10% (£100,000) of the GGY on their return. This should be reported by the host under “**Business to Business (B2B) providers in a revenue share agreement**” and next to the relevant type of gaming or betting. The other £900,000 GGY should be reported by the B2C operator through whose platform the facilities are hosted. This should be reported on their regulatory return, not the host’s, under “**Business to Customer (B2C) providers in a revenue share agreement**”.

Where a host receives a fixed payment from the B2C rather than revenue share, this should still be counted as GGY (ie an accrual to the host licensee in connection with the licensed activities) through the provision of facilities for gambling. If a host operator hosts all of the games it supplies, then it would be required to report all of its revenue on the Remote Casino, Betting and Bingo regulatory return under “**Business to Business (B2B) providers in a revenue share agreement**”. If that host operator also obtains revenue from the initial set up of contracts, or from the direct sales of software that it *does not* host directly to customers, then that revenue should be captured on the Gambling Software regulatory return as value of gross sales.

Why is there no ‘lottery host’ licence?

A lottery operating licence can only be issued to a non-commercial society, a local authority or an external lottery manager (ELM) acting on behalf of either of the former. While a gambling software licensee might supply its software to a society lottery for use on that society’s website (eg online scratchcards or other software in connection with online lottery participation), that software licensee could not ‘host’ those facilities. That is, it could not be permitted to promote a lottery unless it was one of the above entities and held the appropriate licence.

What licence do I need?

