

Review of remote casino, betting and bingo regulatory return and gambling software regulatory return

Consultation document

October 2013

Contents

| 1 | Introduction | 3 |
|---|--|----|
| 2 | Background and context | 5 |
| 3 | Reasons for collecting information | 6 |
| 4 | Regulatory returns – general information | 7 |
| 5 | Proposed changes to remote casino, betting and bingo regulatory return | 11 |
| 6 | Proposed changes to gambling software return | 22 |
| 7 | New points of data collection | 25 |
| 8 | Responding to this consultation | 27 |

1 Introduction

- 1.1 This paper sets out the Gambling Commission's (the Commission) proposals for changes to the remote casino, betting and bingo regulatory return and the gambling software regulatory return. All operators licensed by the Commission are required to complete and submit a regulatory return as a condition of their licence, however this paper proposes changes to the **remote casino**, **betting and bingo** regulatory return and the **gambling software** regulatory return only.
- 1.2 The Commission currently regulates only a small proportion of remote gambling operators, specifically, those that have a piece of key operating equipment physically located in Great Britain. However, the Gambling Act 2005 (the Act) in its current state also permits British customers to also use the facilities of those gambling operators who have their key equipment based abroad, and who are therefore not licensed by the Commission.
- 1.3 The Draft Gambling (Licensing & Advertising) Bill (the Bill) published December 2012, subject to parliamentary approval, will allow for the amendment of the Act to introduce the licensing of gambling operators on a point of consumption basis. Under this amendment any operator based overseas who wishes to transact with or advertise to British customers through remote means will be required to hold a Gambling Commission licence. As such, these operators will be subject to the provisions of the Act and its regulations, including the requirement to submit operational information through making a regulatory return to the Commission.
- 1.4 The Bill will widen the scope of remote operators falling within the Commission's regulatory remit. Enhancements to the return will be required to take into account the increased numbers, and more diverse range of, operators who will provide information to the Commission through completing the remote casino, betting and bingo regulatory return.
- 1.5 A review has consequently been undertaken to assess what amendments are required to ensure that the regulatory return reporting process remains effective in providing the Commission with the operational and market information required to perform its various regulatory functions. A number of changes to the gambling software return have also been identified during this review.
- 1.6 Each data item of the regulatory return has been considered to ensure that the Commission still has a clear use for it and that we are not imposing unnecessary burdens on operators. We have also taken into account informal feedback provided by the industry and trade association representatives in helping formulate the proposals set out in this document, including some suggestions that we should collect significantly more data, comparable to the requirements of other European regulators.
- 1.7 The Commission is now consulting on proposals for changes to the remote casino, betting and bingo regulatory return and the gambling software regulatory return. This consultation considers a number of amendments to the existing data items and also suggests a number of new requests. Where identified, data items that have not proved useful since the last review in 2010 come with the recommendation that they are removed from the return.
- This consultation on the proposed revisions to the regulatory returns will run until **Thursday 28 November 2013**, and we welcome responses by this date. The Commission would like to hear the opinions of operators and wider industry representatives to ensure that in making changes to reflect the new licensing regime following the implementation of the Bill the regulatory returns remain practical for the different types of businesses affected. Further details of how to respond are in section 8 of this document.

3

Further information on key equipment is available in our advice note:

Remote gambling equipment advice - March 2008

- 1.9 The Commission plans to issue revised versions of the remote casino, betting and bingo regulatory return and gambling software regulatory return, and associated guidance, in early 2014. The proposed timetable for the introduction of the revised regulatory returns is following the introduction of the Gambling (Licensing and Advertising) Bill, currently expected in early 2014. However, as some of the amendments also improve the overall quality of data collection and remove any ambiguity, the amendments will be introduced in 2014 whether or not the Bill obtains parliamentary approval by that time.
- 1.10 It is also important to note that the Commission is also consulting on proposed changes to the Licence Codes and Conditions of Practice (LCCP), including a separate consultation on licence condition 4, the protection of customer funds. A number of these proposals are specific to operators in the remote sector, for example, the arrangements for poker networks, remote gambling software providers and the provision of data from key equipment. As may be expected, we are also reviewing our compliance and enforcement approach in light of the changes that are likely to take place after the implementation of the Bill. It is possible that additional data requirements could come out of these discussions and may require further amendments to be made to the regulatory returns process at a later date.
- 1.11 The Commission will continue to review the data collected during the initial period after the implementation of the Bill, and we may make further amendments as and when evidence suggests that this is necessary. In this eventuality, we would again seek the views of the operators that may be affected and so are not ruling out the possibility of further consultation following a period after the Bill has been implemented and embedded throughout the industry. Should this result in any further changes to the regulatory returns being required, then the timeframes in 1.9 are likely to be revised to allow for time for operators to make any necessary systems changes.
- 1.12 We still consider it necessary to pursue with this consultation at this time to rectify areas of confusion that we are already aware exist in the current regulatory return and to prepare for changes that we believe the Bill, as it is currently drafted, would create. The changes are primarily focussed around:
 - ensuring the forms reflect the way operators conduct their business, for example revenue share arrangements, and that data items around these are appropriate
 - updating the gambling software regulatory return to clarify what information is required and to avoid the confusion that has occurred to date
 - incorporating operators that will require a licence from the Commission following the implementation of the Bill and obtaining data on the activity of British-based customers
- 1.13 These changes could potentially be significant for existing and new operators. We therefore wish to consult on these at the earliest available opportunity and to give as much notice as possible to operators of the changes that we expect to go ahead.

4

Open consultations are published on the following page of the Commission's website: http://www.gamblingcommission.gov.uk/licensing_compliance_enfo/licensing/consultations.aspx

2 Background

- 2.1 In October 2007 the requirement for operators to submit information to the Commission through regulatory returns came into force. This is a condition attached to all operating licences, under condition 15.3 of the LCCP. There are a number of regulatory returns that have been devised; each is specific to a certain sector of the industry and corresponds to the various licence types that an operator may hold.²
- 2.2 The proposed amendments set out in this document will apply to existing licence holders of the relevant licence types that are currently required to complete the remote casino, betting and bingo regulatory return or the gambling software return, as well as to any new operators.
- 2.3 The Commission is committed to keeping the information requested through regulatory returns under review to ensure that the returns remain fit for purpose, that we are making appropriate use of the data and that we are not placing any unnecessary burden on licensed operators.
- As part of our review of the regulatory returns for the remote sector we are now consulting on a number of proposed changes. The changes we are proposing take into account additional information that will be required in the new licensing framework after the implementation of the Bill, as well as informal feedback on areas of ambiguity in the returns that has already been provided by the industry.
- 2.5 In carrying out the review the Commission has considered whether:
 - we are making full use of the data we request
 - all data requested are still necessary
 - there are any gaps that should be filled
 - the request and its associated guidance is clear
 - licensed operators understand the reasons for asking for the data
 - we can improve the data capture, submission and quality assurance processes.
- 2.6 The purpose of this consultation is to provide an opportunity for stakeholders to comment on the proposed changes and to make any other suggestions they consider relevant.

The remote casino, betting and bingo regulatory return is a single return which must be completed by any operator holding one or more of the following licences: remote casino, remote bingo, remote general betting (standard) (virtual events), remote general betting (standard) (real events), remote general betting (limited), remote pool betting and remote betting intermediary. The gambling software regulatory return is a single return which must be completed by any operator holding one or both of the following licence types: non-remote gambling software and remote gambling software. Regulatory return forms are available on the Commission's website at the following link: http://www.gamblingcommission.gov.uk/licensing_compliance_enfo/most_used_forms.aspx

3 Reasons for collecting information

- 3.1 Submission of regulatory returns is a mandatory requirement for licensed operators and in turn the Commission must have clear and specific purposes for all the data that it requests. There are five principal reasons for the collection of data:
- 3.2 Compliance with licence conditions and codes of practice (LCCP): It is the operators' responsibility to comply with the LCCP. Information obtained through regulatory returns gives the Commission a starting point for considering whether the operator has appropriate arrangements in place to ensure compliance with the codes and conditions relating to an operator's business and social responsibility activities.
- **3.3 Compliance risk assessment:** This involves the collection of information that is used to inform the Commission's risk assessment; that is,
 - the risk that a particular licensed activity is considered to present to the licensing objectives. or
 - the likelihood of an operator breaching licence conditions or the social responsibility codes of practice.

This assessment helps to plan compliance work and its focus. For remote operators, where there is a lack of physical premises for inspection, it is particularly important for accurate data to be routinely collected through the regulatory returns to allow for monitoring of compliance with minimum burden on an operator's business.

- 3.4 Strategic planning: Information about trends in the industry influences the Commission's deployment of internal resources, ensuring that its business plan reflects regulatory needs. The regulatory returns data helps the Commission to monitor the scale of the overall regulatory burden imposed on operators and to assess whether it is achieving proportionate regulation.
- 3.5 Research and policy: The Commission is responsible for advising the Secretary of State on the incidence and impact of gambling, to ensure the continued achievement of the licensing objectives. The provision of information from the industry is an essential part of this. A detailed understanding of the high level structure of and developments in the industry helps to improve the quality of regulatory policy.
- Provision of information to stakeholders about the industry: The Commission publishes Industry Statistics on an annual basis. The Industry Statistics are designated as 'official statistics' under the Statistics and Registration Services Act 2007 (SRSA 2007). A substantial amount of the information contained in the Industry Statistics publication is taken from the data in regulatory returns and is a valuable source of information on the gambling industry in Great Britain.
- 3.7 For the above reasons, it is important for the Commission's regulatory functions that the information contained within each submission is accurate and provided in a timely manner; for the remote casino, betting and bingo regulatory return, this must be provided within 28 days of the end of each quarterly period. For those only submitting a gambling software return this must submitted, within 42 days of the end of each annual period.

4 Regulatory returns – general information

4.1 This section sets out general themes which have arisen throughout the review of the regulatory returns, and highlights ongoing work that may impact on regulatory returns in any future revisions to the process or to the LCCP.

Submission of regulatory returns

- 4.2 At present, operators are able to submit their returns either electronically via the online returns system or by manually completing paper versions. The Commission considered moving to an entirely electronic system by requiring operators to submit all returns via the Commission's online portal facility during the last consultation on regulatory returns undertaken in 2010, although this option was not pursued at the time. The online portal is now more established than during the last consultation period, and the majority of remote operators currently submit their returns using this facility. It is therefore proposed that the Commission now makes the transition to compulsory electronic submission for holders of remote casino, betting and bingo licences.
- 4.3 Submission of regulatory returns online will reduce costs for operators and the Commission. The Commission will require operators to complete and submit regulatory returns online, through the secure eServices portal on our website.³
- 4.4 Concerns have previously been raised over the security of submitting data electronically. The Commission would reiterate that procedures are in place to ensure that data is stored securely with controls to prevent access. Our online system is encrypted and requires licensees to authenticate themselves before being able to submit and access their own data. We have been accredited against the ISO: 27001 standard since 2010. This is an internationally recognised standard for evaluating how securely an organisation manages and stores its information. As a public authority, the Commission also adheres to the Security Policy Framework and supporting guidance issued by Cabinet Office to ensure that the information we process is handled and stored in a secure manner in line with best practice and HMG requirements.

Definition of British activity

- 4.5 In order to fully understand the extent of the domestic gambling market in Great Britain, it is important for there to be a separation within the regulatory returns process between data that relates to the activity of British customers and data that relates to customers based elsewhere.
- 4.6 Pre-consultation with industry stakeholders has raised questions about how British activity is to be defined and what would be deemed licensable activity if the Bill provisions are implemented. The Bill as currently drafted states that a licence is required 'if no such [remote gambling] equipment is situated in Great Britain but the facilities are used there⁵', that is to say that it is where the facilities are accessed from will that determine whether the gambling activity is defined as British or non-British. This is in addition to the requirement to hold a licence if a piece of key equipment is physically located within Great Britain.
- 4.7 Some stakeholders have suggested that the registered residential address of the player should be taken as the determining factor of when activity is British activity. However, the Commission's view is that the Bill as currently drafted captures gambling by a customer who is physically located in Britain when gambling facilities are used.

7

More information on eServices can be found on the Commission's website at the following page: http://www.gamblingcommission.gov.uk/licensing_compliance_enfo/eservices_operator.aspx

⁴ Regulatory returns can be submitted securely online at the Commission's website at the following page: https://secure.gamblingcommission.gov.uk/RegReturnsLive/

Clause 1(2) of the Gambling (Licensing and Advertising) Bill.

- 4.8 Suggested measures for identifying this type of customer activity may include the IP address location of the device accessing the facilities and for mobile devices this may include the GSM, GPS or wifi location data. This is not an exhaustive list and in assessing this type of activity we would expect operators to compare such session information with the location information provided during registration, such as address, mobile phone number, bank card issuer and ID document location details.
- 4.9 There is a possible exception to this where information is requested regarding customer accounts and registrations, which may not necessarily be connected to a gambling transaction. In this case, the residential address of the customer may be used in order to define whether the customer account is categorised as British (GB) or non-British (non-GB).

Proposed guidance

4.10 A British / GB customer is a customer who is located in Great Britain when they use gambling facilities provided in reliance on a licence issued by the Commission. Or if the requested information relates to the customer account rather than their transactions, it can be based on their residential address eg number of account registrations, selfexclusions made, etc.

A non-British / non-GB customer is any customer who is located outside of Great Britain when use gambling facilities provided in reliance on a licence issued by the Commission. Or if the requested information relates to the customer account rather than their transactions, it can be based on their residential address eg number of account registrations, self-exclusions made, etc.

Definition of non-British activity and the remit of data collection

- **4.11** Based on pre-consultation with the industry, the Commission wishes to clarify the extent of the data that it is seeking in relation to non-British activity.
- 4.12 The implementation of the Bill will create two triggers for requiring a licence from the Commission; firstly, having a piece of key equipment physically located in Great Britain and secondly, where no key equipment is located in Great Britain, facilities for gambling are accessed by a customer physically located in Great Britain. Under the second of these provisions, the Commission will regulate an increased number of operators that provide gambling facilities to customers across a number of jurisdictions, and do so in accordance with the regulatory requirements within these jurisdictions.
- 4.13 For some operators, there will be aspects of their business that are conducted in isolation from the licence issued by the Commission, that is, activity that is not provided in relation to key equipment located in Great Britain or does not involve a customer located in Great Britain accessing their gambling facilities.

4.14 The Commission wishes to highlight that the data requirements requested through the regulatory returns will only be applicable to activity that is captured by the above triggers to hold a licence from the Commission. Where there is activity that does not meet these criteria, the Commission considers this to be beyond its regulatory scope and is not requesting this to be reported in the regulatory returns. Figure 1 below illustrates the activity that will require a licence from the Commission and therefore must be included in the regulatory returns:

Figure 1

| | Customer location | | | |
|------------------------|-------------------|--|--|--|
| | | GB | Non- GB | |
| nt location | GB | (1) Currently regulated by the Gambling Commission Must be reported in regulatory returns | (2) Currently regulated by the Gambling Commission Must be reported in regulatory returns | |
| Key equipment location | Non- GB | (3) New to Gambling Commission regulation following implementation of the Bill Must be reported in regulatory returns | (4) Will not be captured by the requirement to hold a licence from the Gambling Commission (unless advertising only) Information in relation to this activity must not be reported in regulatory returns | |

4.15 Advertising only: The Bill will require operators that transact with British customers to obtain an operating licence from the Commission, and will also require this where an operator wishes to advertise to the British market. There may be instances where an operator obtains a licence from the Commission in order to advertise within Great Britain, but they do not transact with British customers or provide facilities for gambling from key equipment located in Great Britain. In these instances a regulatory return must still be submitted, as is the requirement for all active operating licences. Operators should complete any relevant sections, such as workforce information and contributions made to problem gambling. Where a section is not applicable, for example financial information, 'nil' activity should be recorded.

Future and ongoing work

4.16 As set out in Section 1, there are a number of ongoing processes that may result in changes to the regulatory returns being required after the conclusion of this consultation. In addition, there are a number of areas of ongoing work that the Commission would like to highlight as potentially impacting upon regulatory returns as they continue to be reviewed and developed.

- 4.17 **Research, Education and Treatment:** It is already a requirement in the current regulatory returns for operators to provide details of how they contribute to research, education and treatment in relation to socially responsible gambling. A number of proposals to amend the existing questions in this area are set out in Section 5 of this document. The proposals have been drafted to reflect the wording of the current code, social responsibility code 2.1.
- **4.18** As part of its ongoing compliance and enforcement work, the Commission will continue to review
 - compliance with the requirement to make a contribution, towards research, education and treatment
 - the effectiveness of contributions in meeting the three elements of research, education and treatment in respect of socially responsible gambling.

Where necessary, amendments to the LCCP will be considered to ensure that industry contributions remain an integral part of research, education and treatment. Subsequent revisions to the regulatory returns may therefore be required to align with any changes to the LCCP.

4.19 Data collection of demographic information: The Commission is currently considering its approach to increase the collection of customer demographic information. Section 6 sets out in more detail our intentions to build our evidence base around player demographics and particular aspects of the industry, such as in-play betting and the use of mobile devices to gamble. We are therefore consulting on the potential of this data collection to be incorporated into the regulatory returns process. However, where evidence suggests that this is inappropriate, we may look to develop other arrangements to gather this information in future pieces of work.

Consultation questions

- Q1 Do you have any comments on the proposed requirement for electronic only submission of all remote casino, betting and bingo regulatory returns?
- Q2 Do you consider the Commission's approach of requiring separate reporting of British based customer activity and non-British based customer activity to be the most appropriate way for the Commission to understand the domestic market and the full extent of operations provided in reliance on the licence?

5 Proposed changes to remote casino, betting and bingo regulatory return

- This section sets out the proposed changes to the remote casino, betting and bingo regulatory return. It takes each relevant section of the regulatory return and outline the suggested amendments. In some cases simple corrections will be made to replace out of date references, or to change the emphasis within a particular question. In these cases the Commission is not consulting on these as proposals, but would like to draw attention to the changes that will be made and the reasons for this.
- The proposals that the Commission is seeking views on broadly centre on requesting a more detailed breakdown of the data than is currently required. For instance, the majority of the questions on the regulatory return currently ask for one total figure to be reported for each data item. To reflect the changes that will be brought about by the implementation of the Bill, we are proposing that the figures for many of the data items are to be split between those that apply to British-based customers (see proposed definition at 4.7) and those that apply to customers in other jurisdictions.
- There are also a number of questions on the regulatory return that have not provided a meaningful source of information to the Commission since the last review took place in 2010. Where these have been identified, they come with the recommendation that they are removed from the return.
- 5.4 Where the proposed change is significant, suggested guidance notes have also been included in the shaded boxes.

Section 2 – Workforce information

- It is proposed that the data provided under the workforce information heading is separated between British-based and non-British based staff. It is suggested that where an individual is employed across multiple jurisdictions, that the location where they spend the majority of their time performing their duties is reported in this section.
- A breakdown of British-based and non-British based staff is important in order to understand the nature of each individual operator's business, particularly for the remote sector where a large number of staff may be based overseas. In our advisory role to Government we need to understand the contribution that gambling makes to the wider economy. Understanding the number of British-based staff employed in the gambling industry forms part of this assessment and will also allow us to monitor and trends in this area following the implementation of the Bill.

Section 3 - Operational information

- 5.7 Question 3a Details of contribution to organisations promoting socially responsible gambling: Some minor amendments are suggested to question 3a regarding the details of contributions made under social responsibility code of practice 2.1 of the LCCP, which requires all licence holders to make a contribution to research, education and treatment of problem gambling in Great Britain. The amendments to question 3a are not proposals that the Commission is consulting on, but highlight the ongoing work that is being undertaken to strengthen the Commission's approach to ensuring that all operators meet this mandatory requirement.
- 5.8 The wording of question 3a will be brought into line with the relevant social responsibility code provision, which states that making a contribution to research, education and treatment of problem gambling is a mandatory requirement. The current wording asks an operator to declare if they have or have not made a contribution. It is suggested that the option to declare that a contribution has not been made is removed and replaced with only a section to provide details of their contribution the amount and the recipient.

- 5.9 The current return already contains the option for operators to report if they have made a contribution via a trade body. The Commission is also considering introducing a way to monitor if a contribution is made via an overseas regulator as concerns have been raised as to whether this particular type of arrangement satisfies the requirement to make a contribution to address problem gambling in Great Britain. The Commission will need to be satisfied that an operator's arrangements to make a contribution do in fact meet this requirement, and may seek further information on the details of the arrangements where necessary.
- 5.10 The individual beneficiary groups listed in question 3a will be removed and operators will be required to name the recipient of their contribution in a free text box. The guidance notes will be amended to replace out of date references to the GREaT Foundation with its successor organisation the Responsible Gambling Trust (RGT).
- 5.11 Question 3b Operational events: The numbers of operational events in relation to the licensed activity are already required to be reported on the current regulatory return. The Commission is proposing that the numbers of events are divided into two categories depending on whether they are in relation to GB customers or non-GB customers and seeks views on this proposal.
- 5.12 Categorising the numbers of operational events depending on whether they occur in relation to a British or non-GB customer will assist the Commission in monitoring both the domestic and overseas markets and assessing the likelihood that an operator's policies are applied consistently across its customer base regardless of the customer location. As set out in Figure 1, the details of operational events are requested only where they occur in relation to activity that is within the Commission's regulatory remit.
- 5.13 Self-exclusions and excluding from particular gambling products only: The Commission is aware that some operators offer the facility to limit a customer's use of a particular gambling product, whilst still allowing them to access other facilities they make available. There has been previous confusion around whether these 'partial exclusions' from a specific gambling product should be reported under the self-exclusion headings on the regulatory returns. This type of 'partial exclusion' is not strictly self-exclusion as set out in the LCCP, but rather an additional measure that an operator may provide to promote socially responsible gambling. The Commission therefore proposes for these to be reported separately under a new heading, to build our evidence base in this area.
- **Complaints and disputes:** There have been recent developments in European legislation on the topic of Alternative Dispute Resolution (ADR), for which UK implementation is being considered, and which will come into force in 2015. The exact nature of UK implementation of this Directive could have an impact on the Commission's requirements in this area. We will therefore be carrying out a further review on complaints and disputes during 2014 and 2015. ⁶
- In the meantime, it is proposed to make some minor changes to terminology to align with LCCP, which in turn is being amended to use the terminology of the EU Directive on ADR, in particular to use the term 'ADR entity' instead of 'independent third party' for the referral of unresolved disputes about the outcomes of gambling transactions. In addition, it is proposed that a field to record the number of disputes that are referred to an Alternative Dispute Resolution (ADR) entity is introduced to this section, to enable the Commission to track the numbers of disputes. Operators are required separately by LCCP to report on the outcomes of disputes referred to the ADR entity. Together, these requirements will provide a rich source of information on the numbers of disputes, and dispute topics and outcomes.

-

⁶ Section 5 of the <u>Proposed amendments to LCCP for all operators consultation document - September 2013</u>

5.16 Proceeds of crime and Suspicious Activity Reports (SARs): No change will be made to this data requirement however concerns have been raised over possible confusion in this area stemming from different legislation in each jurisdiction where an operator may hold multiple licences. For clarity, a SAR in this context relates to a report that must be submitted to the National Crime Agency under the Proceeds of Crime Act 2002. ⁷ Figure 2 below illustrates how the separation of operational events would appear on the revised regulatory return:

Figure 2

| 3b. Nature of operational event | Number of events that have occurred for the period applying to this regulatory return |
|--|---|
| | GB customers Non-GB customers |
| Complaints logged | |
| Of which disputes logged | |
| Number of disputes referred to an ADR entity | |
| Partial exclusions made | |
| Self-exclusions made | |
| Breaches of self-exclusion | |
| Self-excluded individuals returning | |
| People who having gambled were unable to verify | |
| their age Incidents logged in the customer interaction log | |
| Individuals included in the customer interaction log | |
| Proceeds of crime - SARs | |
| Eviating data itama required | Dranged amondment |

Existing data items required

Proposed amendment

Proposed guidance

5.17 Nature of operational event

For each operational event, record separately the number of operational events that relate to British-based customers and the number that relate to non-British based customers, within the period covered by the return.

A British / GB customer is a customer who is located in Great Britain when they use gambling facilities provided in reliance on a licence issued by the Commission. Or if the requested information relates to the customer account rather than their transactions, it can be based on their residential address eg number of account registrations, self-exclusions made etc.

A non-British / non-GB customer is any customer who is located outside of Great Britain when use gambling facilities provided in reliance on a licence issued by the Commission. Or if the requested information relates to the customer account rather than their transactions, it can be based on their residential address eg number of account registrations, self-exclusions made etc.

⁷ Further information on responsibilities under the Proceed of Crime Act can be found at http://www.nationalcrimeagency.gov.uk/

5.18 Question 3c – Details of information security audit: A minor amendment will be made to the wording of the question, which currently asks for the date of the information security audit and the name of the firm that conducted it. Operators will also be asked to indicate if the information security audit has been carried out in the quarter that is being reported on and the date that the report was submitted to the Commission in order to help assess whether an audit is being conducted on an annual basis, as is the regulatory requirement.

Consultation questions

- Q3 Do you have any comments to make on the Commission's approach to revising Question 3a - Details of contribution to organisations promoting socially responsible gambling?
- Q4 Do you have any comments to make on the proposed changes to Question 3b Operational events? In particular, we welcome views on the subcategories that you as an operator may use in your existing information reporting systems in respect of 'partial exclusions'.
- Q5 Are there any additional operational events other than those listed in Figure 2 that should be included in question 3b?

Section 4 - Financial information

- 5.19 Section 4 of the current regulatory return deals with financial and account information. The majority of data items in section 4 require a total figure to be reported, with a small number requiring British based and non-British based customer information to be reported separately. Additionally, some data items are also split between the casino, betting and bingo sectors.
- 5.20 This section has been reviewed taking into account pre-consultation feedback already provided by the industry and to incorporate the additional information that the Commission will require as a result of the new licensing framework. In broad terms this will require a method of separating British based and non-British based customer information to be applied to all of section 4.

Question 4a - Details of customer accounts

- 5.21 Funds held in customer accounts and total number of accounts for Gambling Commission licensed activities: Currently, all of the information requests relating to funds held in customer accounts and the number of accounts are required to be reported separately in relation to the sectors of casino, betting and bingo. Industry feedback has told us that splitting the financial information in this way is problematic due to the use of common wallets to hold customer funds that may be used across different gambling sectors. It is therefore proposed that the sector split be removed from these two data items, and that a total figure is reported.
- 5.22 Total number of active GB customer accounts and total number of active overseas customer accounts in last 12 months: These data requests are already split to distinguish between British and non-British customer activity and this will not change. These data requests will also continue to be split by sector.

5.23 In addition, it is proposed that an additional sector is introduced for the total number of accounts that are held in relation to peer to peer poker. See Figure 3 for the proposed revised section 4a:

Figure 3

| · · · · · · · · · · · · · · · · · · · | | | |
|--|--------------|------------------|--|
| 4a. Details of accounts at the date of submitting the regulatory return | | | |
| Existing requirement, sector split removed | Proposed | amendment | |
| | GB customers | Non-GB customers | |
| Funds held in customer accounts (£) | | | |
| Total number of accounts for Gambling Commission licensed activities | | | |
| CASINO | GB customers | Non-GB customers | |
| Total number of active customer accounts (accessed during last 12 months) | | | |
| BETTING | | | |
| Total number of active customer accounts (accessed during last 12 months) | | | |
| BINGO Total number of active customer accounts (accessed during last 12 months) | | | |
| POKER (PEER TO PEER) Total number of active customer accounts (accessed during last 12 months) | | | |
| Existing requirement, sector split retained Proposed amendment | | | |
| Proposed guidance 5.24 Question 4a – Details of customer accounts | | | |
| Funds held in customer accounts: include all funds in accounts (to the nearest whole £) that customers could use to gamble in reliance on a licence issued by the Commission. This should incorporate funds held in all accounts regardless of whether they are active, dormant | | | |

or suspended accounts. This must be split between British based and non-British based customers.

Total number of accounts for Gambling Commission licensed facilities: include the total number of accounts held regardless of whether they are active, dormant or suspended accounts.

For the following questions, information should be submitted by type of activity where such a breakdown is available: casino, betting, bingo and poker (peer to peer):

Total number of active customer accounts Britain based customers

Total number of active customer accounts for non-British based customers

Active customer accounts are those that have, within the last 12 months, used products provided in reliance on a licence issued by the Commission. It is preferred that this figure only includes those accounts that are still active (that is, not since suspended) however if you are not able to make this distinction please explain in the additional notes. The last 12 months refers to the 12 month period prior to the end date of this regulatory return.

5.25 Some additional guidance will also be provided to clarify ambiguity over which particular activities fall under which sector, in particular the Commission has been made aware of confusion around 'side-games' or 'mini-games' which it seeks to clarify:

Proposed guidance

5.26 Applicable to Section 4 – Financial information

Where financial or account information is requested to be reported under a particular activity, provide information relating to each activity defined as follows:

Casino: for all casino games (i.e. games of chance which are not equal chance gaming) that are offered in reliance on a remote casino operating licence. This includes poker where the customer plays directly against the operator, but excludes peer to peer poker where a customer plays against other customers. Note that the casino category must include 'mini-games' of blackjack, roulette and other casino games, that are played alongside bingo and peer to peer poker products.

Betting: for all remote betting licence types. Where specified this must be by individual licence type e.g. pool, real event etc. Where a figure is requested for 'commission' taken please provide a figure for the money that the licence holder receives in respect of commission taken from bets offered in reliance on the operating licence.

Bingo: for all bingo games. This must not include 'mini-games' of blackjack and roulette for example, that are played alongside bingo. These must be reported in casino section.

Poker: for all peer to peer poker products (i.e. where a customer plays against other customers). Where the 'rake' is requested please provide a figure for the money that the licence holder receives in from the games of peer to peer poker offered in reliance on the operating licence. This must not include 'mini-games', blackjack and roulette for example, that are played alongside peer to peer poker. These must be reported in the casino section.

5.27 This question currently asks for a total figure of new registrations. It is proposed that the number of new registrations is split between registrations made by British-based customers and non-British based customers. This is in line with reasons already stated to understand the extent of gambling within the British market, and the overall scale of the operator's business provided in reliance on a Commission licence.

Consultation questions

Q6 Do you foresee any difficulties in separating the data requested in question 4a between British and non-British based customers, based on the definition of these terms provided on page 7?

- Q7 Do you have any comments to make on the proposed guidance to guestion 4a?
- Q8 Do you have any comments to make on the proposed guidance for defining sector activity?
- Q9 Do you foresee any difficulties in separating the data requested in question 4b between British and non-British based customers, as per the definition of these terms provided on page 7?

Question 4c – Details of the performance for remote games

5.28 Proposed changes relevant to all parts of question 4c: For all parts of question 4c it is proposed that the figures requested in relation to the performance of remotes games, are also split between the amounts that relate to British-based customer activity, and non-British-based customers.

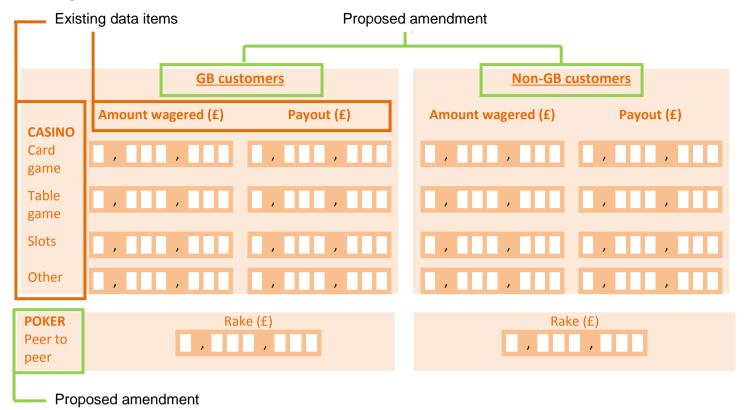
Proposed amendments to existing data items in question 4c

- 5.29 Some amendments specific the subcategories within each sector are also proposed, these are set out below.
- Casino games and peer to peer poker: At present the casino games section is split into five subcategories: card game, table game, slots, 'other' and peer to peer. This does not allow for any isolation of data on poker activity, specifically peer to peer poker, towards which the Commission is currently reviewing its regulatory approach⁸. It is therefore proposed that the subcategories under casino games now include a specific subcategory for peer to peer poker to allow for further data to be collected on this activity. The Commission had considered removing the card game, table game, slots and other subcategories but intends to keep these in order to retain the ability for comparison to previous year's data.
- **Betting (real events):** No changes are proposed to the subcategories under the Betting (real events) section. The Commission will continue with the split of individual markets that feature on the current regulatory return (horses, dogs, football, golf, tennis, cricket, financial and other).
- 5.32 **Betting (virtual events):** In reviewing the information gathered through the regulatory returns process in previous years, it was found that little data has been reported under a number of the subcategories featured on the current return, such as financial, golf, tennis, and cricket markets. It is therefore proposed that these subcategories are removed from the Betting (virtual events) section, and an aggregated figure for 'Amount wagered' and 'Payout' is provided for all betting on virtual events.
- 5.33 **Betting (pool betting):** The review of information reported under the Betting (pool betting) section has shown that only three of the subcategories of individual pool betting markets are commonly used by operators: horses, dogs and football. It is therefore proposed that these subcategories are retained and the rarely used subcategories of golf, cricket, tennis and financial are removed from the return. A subcategory of 'Other' will be included to capture any information that would have previously been reported under these headings.
- **5.34 Bingo:** There are no proposals to change the Bingo section of question 4c, however the additional guidance notes suggested above at point 5.20 will clarify that activity relating to 'mini-games' that are in fact casino games, such as blackjack or roulette, should not be reported in the bingo section even where these are played alongside a bingo game.

⁸ See pages 33-35 of the <u>Proposed amendments to LCCP for all operators consultation document - September 2013</u>

5.35 Figure 4 below illustrates how question 4c would appear with the data items collecting separate figures for British based and non-British based activity, for the casino section:

Figure 4



Proposed introduction of new data requests to question 4c

- **Revenue share agreements:** The current regulatory return does not allow for adequate reporting of arrangements where one licence holder provides products to other licence holders and in return receives a proportion of the revenue generated. These arrangements exist most commonly in the casino, bingo and poker sectors, although they can also be found in the betting sector.
- 5.37 The Commission proposes collecting details of the revenue share received by both the Business to Customer (B2C) and Business to Business (B2B). The B2B partner will be required to record 'amount wagered', 'payout' and their share of the revenue. It is the Commission's understanding that it is the B2B partner that is best placed to provide this level of information about the revenue share agreement. The B2C partner will only be required to record their share of the revenue by product.
- 5.38 In line with the amendments proposed to section 4, the Commission is proposing that the data is split between British based and non-British based activity.

It is also important to note that only revenue share arrangements that are provided in reliance on a licence issued by the Commission are required to be reported in this section. Where a revenue share arrangement does not involve access to gambling facilities by a British-based customer, or is not provided in reliance on key equipment located in Great Britain, this information must not be reported in this section.

Figure 5 illustrates the data that the Commission is proposing to require in relation to revenue share agreements.

| REVENUE SHARE AGREEMENTS Only | | | |
|--|--------------------------|---|---|
| Business to business (B2B) agreements only - financial information from revenue share arrangements | | | |
| GB customers o | nly Amount staked (£) | Amount paid out (£) | Amount of revenue share received by B2B (£) |
| Slots | | | |
| Table games | | 111 - 111 - 111 | |
| Bingo | | 111 - 111 - 111 | |
| Betting | | 111 - 111 - 111 | |
| Other | | 888.888.888 | |
| | Total Rake (£) | | Amount of revenue share received by B2B (£) |
| Poker | | | |
| | 4 > | | |
| | | financial information from rev | enue share arrangements |
| Non-GB custom | Amount staked (£) | Amount paid out (£) | Amount of revenue share received by B2B (£) |
| Slots | 888 - 888 - 888 | 888.888.888 | |
| Table games | | 111 - 111 - 111 | |
| Bingo | | 111 - 111 - 111 | |
| Betting | | | |
| Other | | 111 - 111 - 111 | |
| | Total Rake (£) | | Amount of revenue share received by B2B (£) |
| Poker | | | |
| Business to customer (B2C) agreements only - financial information from revenue share arrangements | | | |
| Amount of revenue share received by B2C (£) | | | |
| | | | |
| Slots | GB custon | , | Non-GB customers |
| Table games | | | |
| Bingo | | | |
| Betting | , , , , | | |
| Poker | | , , , , , | , |
| Other | | | |

Proposed guidance

5.39 Revenue share arrangements (Business to Business (B2B) only)

Please provide details of the amount wagered (to the nearest whole £), the payout (to the nearest whole £) and the amount of revenue share received by the B2B (to the nearest whole £).

Revenue share arrangements (Business to Customer (B2C) only)

Please provide details of the amount of revenue share received by the B2C (to the nearest whole £).

Names of revenue share partners: The Commission is proposing to introduce a new data request in order to better understand the levels of revenue share agreements within the industry and to validate as far as possible the numerical information provided in the above section. It is therefore proposed that a list of revenue share partners and their licence number should be provided in each quarterly regulatory return. We have decided not to ask for details of individual commercial arrangements at this time.

Question 4d: Details of betting intermediary trading information

5.41 No specific proposals are being made with respect to question 4d which details betting intermediary trading information, other than the 'Total commission taken' figure to be split in relation to British based and non-British based customer activity.

Question 4e: Gross Gambling Yield (GGY):

5. 42 As with the other areas of section 4, it is proposed that this figure is reported under two separate figures depending on whether it is obtained in relation to British based or non-British based customer activity. This will be the total GGY received by the licence holder for all gambling activity in reliance on a licence issued by the Commission.

Questions where no changes are proposed

- 5. 43 The Commission is not proposing to make any amendments to the following questions on the regulatory return:
 - Question 5: Trading name information
 - Question 6: Domain name information
 - Question 7: Remote gambling operations

Consultation questions

- Q10 Do you consider there to be any difficulty in providing the financial information requested in questions 4c 4e separated into two categories of British based or non-British based activity?
- Q11 Do you have any comments to make on the proposed changes on the sector- specific questions in 4c?

- Q12 If you have any revenue share arrangements in place, do you understand what information is being requested under the proposed 'Revenue share agreements' section and is the proposed guidance for this section clear?
- Q13 Do you foresee any difficulty in providing the information that is being requested under the proposed 'Revenue share agreements'? The Commission would particularly welcome details on the data that is requested from each party within a revenue share agreement in order to assess the practicality of the proposals.
- Q14 We have decided not to ask for a breakdown of the revenue share received according to individual arrangements with specific operators. Do you agree with this approach? Would there be any benefits to you as an operator if you were required to report this information?
- Q15 Do you have any additional comments to make on the proposals set out this section?

6 Proposed changes to the gambling software regulatory return

In reviewing the content of the remote casino, betting and bingo regulatory return it was identified that several changes to the gambling software return will also be required. This is partly due to inconsistencies in the lack of separation between remote and non-remote data that is an established practice elsewhere in the regulatory returns process. Additionally, other areas of confusion have come to light in pre-consultation engagement that require rectification.

Operational information

6.2 It is suggested that the gambling software return is subject to the same amendments in relation to the operational information as suggested for the remote casino, betting and bingo regulatory return, where these are applicable, as set out in Section 5. These include amendments to how the questions regarding contributions to research, education and treatment are set out, and the out of date references to responsible gambling organisations.

Financial information

- 6.3 Gambling software operating licences can be either remote or non-remote in nature. The licence required is determined by the method by which the gambling software is supplied. At present holders of a gambling software operating licence complete only one regulatory return, regardless of whether they hold a remote or non-remote version of the licence, or indeed both. Within the regulatory return there is no distinction made in the information that is being reported regarding whether it relates to software that has been provided in reliance on a remote or a non-remote licence where both are held.
- Being unable to differentiate between the remote and non-remote data submitted through the current regulatory return means that we are unable to fully understand the nature and extent of activity within this sector. Furthermore there is no mechanism to ensure that a licence holder is in the correct fee category when both remote and non-remote licences are held.
- 6.5 It is therefore proposed that the financial section of the gambling software return is divided so that remote and non-remote information are reported separately to overcome the issues outlined above.
- 6.6 The Commission has also informally consulted with the industry and a number of difficulties and areas of confusion have been identified. The Commission is therefore considering several changes to ensure that more accurate information can be provided.
- 6.7 The Commission understands that some gambling software suppliers may provide several services to clients and that it may not be possible to accurately provide a breakdown of the costs of different aspects. For example, a gambling software company may supply both the platform and games software under the same contract and therefore does not distinguish between the values of each element. Or, the gambling software company may sell a number of games titles that do not have an individual cost but are sold as a package.
- 6.8 The Commission therefore proposes to require the gambling software licence holder to specify whether they supply a 'game', 'platform' or 'other'. If the gambling software company supplies all three types, they would tick all three boxes.
- 6.9 The Commission proposes requiring the licence holder to report the number of operators they have supplied under a 'Gambling Commission licence' and a 'non Gambling Commission licence'.
- 6.10 The Commission has also identified that there has been some confusion regarding the financial information. The intention of the current gambling software return was to record the income earned from sales of gambling software (e.g. a flat fee received for developing

and supplying a game) and the income earned from revenue share arrangements (e.g. a percentage of the win from a game). These two amounts would then be added together to determine the total revenue earned by the gambling software licence holder. The Commission has identified that some licence holders have instead reported income from revenue share as a sub-set of sales.

- 6.11 Pre-consultation and enquiries from the gambling industry have also identified the need to clarify what sales should be reported. The Commission requires revenue from all activity carried out in reliance on a gambling software licence to be reported. This includes development and supply of software whether bespoke or otherwise and ongoing support if that involves maintenance or adaptation of gambling software (as per section 41 of the Act). However, it would not include any activity that is not in connection with remote gambling, for example if the licence holder also developed EPOS software for a betting shop.
- **6.12** Figure 6 below illustrates the proposed revised financial section of the gambling software return:

Figure 6

| Section 4. Financial Information | | | | |
|--|---|--|--|--|
| 4a. Details of gambling so | ftware supplied | | | |
| Record any income received for the period applying to this regulatory return | | | | |
| Income from sales fees (£) revenue share income) | Income from sales fees (£) (For example, flat fees, licence fee excluding revenue share income) | | | |
| Income from revenue share | e arrangements (£) | | | |
| Income from other activities provided in reliance on the licence (£) (For example, software support) | | | | |
| Software types supplied for the period applying to this regulatory return (tick all that apply) | | | | |
| Game Other type of software | | Platform (If other, please specify belo | x ow) | |
| | | | | |
| | | | | |
| Software titles supplied in | the period applying | g to this regulatory return | Number of operators this has been supplied | |
| _ | 200 | | | |

Consultation questions

- Q16 Do you agree with the Commission's approach to collect remote and non-remote financial information separately in relation to gambling software licences?
- Q17 Are there any other revisions that you consider should be made to the gambling software regulatory return?

7 Proposals for new points of data collection

- 7.1 The Commission is considering whether to collect data in a number of new areas that are not currently captured by the regulatory returns process. In particular, the Commission is looking to increase its evidence base around player demographics of account holders, their mode of play, and the prevalence of in-play markets in the betting sector.
- 7.2 This requirement would relate to British-based customers only as our interest in this area centres around our advisory role in providing information to Government on gambling within the domestic market. In this context a British-based customer would refer to those customers that are recorded as having a residential address in Great Britain. There is a tendency for collection of demographic data to focus on British-domiciled customers, and so aligning with this will allow us to corroborate our own findings with other surveys conducted.
- 7.3 Gathering information directly from operators in these areas is vital to ensure that the Commission has the necessary data to fulfil its regulatory obligations and to deploy its resources in the most efficient manner, as well as to fulfil its duty to advise Government and develop policy in relation to remote gambling.
- 7.4 The Commission recognises that isolating emerging trends from data of this nature is dependent on obtaining sufficiently detailed information in the first instance. With this in mind we are conscious not to place any unnecessary burden on operators in the collation of this data and are keen to explore alternative methods of collecting this information outside of the regulatory returns process if this would be a more appropriate solution. However, where operators are already capturing information for their own commercial reasons the Commission would like to be able to make use of this.

Demographic data of customers

7.5 The Commission is proposing to collect information on the gender and age of customers. We propose doing this by asking licence holders to report the number of active customers, in this instance those who have gambled in the last 12 months, by gender and age group during the period covered by the return. The Commission proposes using the same age categories as have been used in previous publications of the British Gambling Prevalence Survey and the quarterly gambling participation survey conducted by ICM Research.

18-24

25-34

35-44

45-54

55-64

65-74

75+

7.6 This will assist us in corroborating survey information that is already collected via national research bodies⁹ and enable us to better understand who is gambling and to consider trends relating to specific demographics in future policy development.

Use of mobile devices

7.7 Another area that the Commission is looking at is data collection on gambling through 'apps' or mobile devices. Gambling via these means has seen significant growth in recent years and is changing the way that people gamble as gambling can take place outside of a fixed location, or away from a personal computer within the home. This has implications for how the Commission regulates remote gambling and in turn the measures that operators put in place to comply with the licensing objectives.

⁹ For example, the <u>British Gambling Prevalence Surveys</u> and the <u>Health Survey for England and Scottish Health Survey</u>

7.8 A better understanding is important in this area, in particular where we may wish to refine policy regarding the use of mobile devices and their relationship to responsible gambling and player protection measures.

In-play betting

- 7.9 The Commission is also proposing to collect data on the incidence of in-play betting within the British market.
- 7.10 This will be important to the Commission's role in:
 - understanding customer trends and advising Government on the nature of the gambling participation
 - helping us to assess whether development of policy in this area is needed, and
 - enabling the monitoring of the growth due to innovation.
- 7.11 We welcome any guidance from operators on the data items which are easily collated or conversely, any data items that are particularly difficult to isolate due to the nature of the information management systems used to record them.
- 7.12 In particular, where operators hold licences across several locations we would aim to avoid prohibitively different information requirements where possible, providing that the information obtained is sufficient for our regulatory purposes. We therefore welcome suggestions from any operators to whom this applies and who consider that reproducing data provided to another jurisdiction could give the Commission sufficient information to address the objectives outlined in 7.2.

Consultation questions

- Q18 If you are an existing gambling operator, do you currently collect information on any of the above topics?
- Q19 Within each topic where you do collect data, are there any particular subcategories that you use to record the data? For example, fixed age ranges of 18-24, 25-34 and so forth. This will help the Commission to align any subcategories used in its own data collection with those most commonly used by the industry.
- Q20 Are there any additional topics that you consider should be reported on under this section to inform the Commission on gambling activity or participation?
- Q21 Which of these topics, if any, do you currently provide data on to regulators in other jurisdictions? If there are any common areas of data provision, do you consider that there is the potential to align information reporting of this kind to your data provision in other jurisdictions?
- Are there any alternative methods of supplying the Commission with this information, outside of the regulatory returns process, that you consider to be more practical? We particularly welcome views on how any method used by the Commission may be aligned with the information that you already provide to another regulator.
- Q23 Do you consider any additional effort or resource required from your organisation in reporting this type of information to the Commission? If so, what do you consider to be the impact on your organisation in terms of effort or resource? Please specify according to each of the relevant areas.
- Q24 In terms of collecting data on the device used to gamble, we understand that operators will record data in different ways. We therefore welcome views on the feasibility of providing the Commission with the information below.

- a) The GGY generated by players gambling via mobile devices (tablets, smartphones, etc)
- b) The GGY generated by players gambling via a mobile internet connection
- Q25 Are there any other comments that you wish to make on the proposals for new points of data collection?

8 Responding to this consultation

- 8.1 The Commission is inviting comments on the proposed plans and would prefer respondents to complete the responses template provided and send it by email to: consultation@gamblingcommission.gov.uk. If you are not able to use the template provided, please indicate clearly the questions or issues to which your comments refer.
- 8.2 Alternatively, responses can be sent by post to:
 Consultation
 Gambling Commission
 Victoria Square House
 Victoria Square
 Birmingham B2 4BP
- 8.3 The closing date for receipt of responses by the Commission is **Thursday 28 November 2013**.
- 8.4 When responding, please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of an organisation, please make clear who or what that organisation represents. If responding as an individual, please mention your own interest.
- Please note that responses may be made public or published in a summary of responses to the consultation unless you state clearly that you wish your response or name to be treated confidentially. Confidential responses will be included in any statistical summary of numbers of comments received. If you are replying by email, unless you specifically include a request to the contrary in the main text of your submission, the Commission will assume your consent overrides any confidentiality disclaimer that is generated by your organisation's IT system.
- Any information or material sent to us and which we record may be subject to the Freedom of Information Act 2000 (FOIA). The Commission's policy on release of information is available on request or by reference to our website at www.gamblingcommission.gov.uk.
- 8.7 All information provided to the Commission will be processed in accordance with the Data Protection Act 1998. However, it may be disclosed to government departments/agencies, local authorities and other bodies when it is necessary to do so in order to carry out the functions of the Commission and where the Commission is legally required to do so.
- 8.8 All non-confidential responses will be published on our website. We will take full account of the responses when coming to a final view on a recommendation for future data collection. We aim to publish our response to submissions received as part of our explanation of the final view we have reached in the New Year.

Gambling Commission October 2013

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** Copies of this document are available in alternative formats on request.

Gambling Commission, Victoria Square House, Victoria Square, Birmingham B2 4BP T 0121 230 6666 F 0121 230 6720 E info@gamblingcommission.gov.uk

CON 13/04