



Department  
for Culture  
Media & Sport

# Proposals for Gambling Commission Fees from April 2017

## Consultation response

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## Chapter 1: Summary of responses to consultation questions

- 1.1 The Department for Culture, Media and Sport (DCMS) and the Gambling Commission (the Commission) held a joint consultation between 8 July 2016 and 9 September 2016 on proposals for Commission fees which would take effect from April 2017. DCMS and the Commission also held a consultation workshop in Birmingham on 20 July 2016. A total of 36 consultation responses were received from trade associations, licensed gambling operators and from members of the public and a full list of respondents is provided at Annex B of this document.
- 1.2 The consultation document outlined three main options for changes to fees for stakeholders to consider. The main characteristics of option one, DCMS's and the Commission's preferred option, were:
- A reduction of 10% in total annual fee income to reflect the efficiencies achieved in the Commission's operating costs. This would result in fee reductions for around 1,900 operators, with fees being held at current levels for around 1,000 operators.
  - Fee increases for fewer than 100 operators to ensure that the Commission's costs are recovered on a more proportionate basis in line with the volume of gambling conducted with those operators.
  - The retention of a structure of fee categories, but with categories being based on gross gambling yield (GGY) rather than premises numbers for betting, bingo and arcade operators.
  - The sub-division of several fee categories into smaller bands to ensure that regulatory costs are spread more fairly among businesses.

The second consultation option was for no changes to be made to current fee levels, while option three was for a flat 10% reduction in annual fees for each operator.

- 1.3 The responses to the consultation questions are summarised below, along with the response in turn from DCMS and the Commission.

**Consultation Question 1: do you agree that the proposals set out in the consultation document under option one should be pursued, rather than the 'do nothing' approach (option two) or a flat reduction across the board (option three)?**

### *Responses received*

- 1.4 Most responses to this question agreed that option one was preferable. The non-remote bingo sector expressed the greatest concern about the move from fee categories based on premises numbers to GGY-based fee categories, and the annual fee increases that would result for several commercial bingo operators as a consequence. A number of bingo operators therefore stated their preference for option three to be pursued instead. In contrast, representatives of the betting and arcades sectors were in favour of the move away from premises towards to GGY.

- 1.5 Bingo sector responses outlined their particular concerns with option one as follows:
- The size of the fee increases in cash terms and percentage terms for the traditional and commercial bingo sectors (e.g. a 700% or £9,000 increase for one operator, a 350% or £16,500 increase for two operators, and a 100% or £1,500 increase for several operators currently in fee category A).
  - The number of bingo operators subject to an increase was disproportionate compared to other sectors (around 75 operators in total across all of the gambling sectors would receive an increase under the consultation proposals, but bingo operators would make up almost half of that total).
  - The overall number of smaller medium-sized bingo operators that were subject to an increase (i.e. several operators that are currently in fee categories A or B, having 15 or fewer premises, would be subject to increases).
  - A sense therefore that retail bingo operators would be worse off with the move from premises-based fee categories to GGY-based fee categories, compared to other sectors which would mainly benefit.
- 1.6 Other respondents thought that the fee increases proposed for medium-sized and large remote betting operators seemed extreme in the context of an overall 10% reduction in annual fees. Clarification was sought for the reasons behind the fee increases.
- 1.7 A few respondents stated that they had been expecting all operators to be subject to reductions in fees, citing previous references by the Commission to the increase in the number of remote operators having led to a “dividend” in the Commission’s income that would be returned to gambling operators.

#### Response

##### ***Fee increases for commercial bingo operators in the context of the move to GGY-based fee categories***

- 1.8 It is important to note first of all that the Commission’s ***overall fee income from the total population of non-remote bingo operators would reduce with the proposals***. While more than 35 bingo licence holders would receive significant fee increases, approximately 150 would receive a reduction in fees under the proposals. The increases are due to the proposed readjustments in ***how*** the Commission’s costs would be recovered among the population of licensed bingo operators.
- 1.9 The move from premises-based fee categories to GGY would mean that the fee burden would move away from the very smallest bingo operators that generate very low GGY (including working men’s clubs, other members’ clubs such as social clubs or welfare institutions, and holiday and caravan parks) towards high street and retail bingo operators that generate significantly larger volumes of gambling.

### **GGY as a fairer basis for cost recovery**

- 1.10** Some bingo operators suggested that the Commission should retain ‘premises numbers’ as the basis for fee categories, arguing that fees should only reflect the level of direct compliance effort with each particular operator, and that the number of premises to visit should be the Commission’s only cost driver.
- 1.11** The Commission is of the view that GGY is a much fairer way of recovering its regulatory costs. The fees structure will continue to take account of the fixed costs of regulating operators, the economies of scale in regulating the largest operators, and compliance costs. However, most costs are generated by *thematic* areas of work (for example, ensuring that new gambling products and business models are in keeping with the regulatory framework or providing advice to government on gaming machines) rather than direct compliance costs with individual operators. Most costs are therefore driven primarily by the *volume of gambling* generated by operators rather than simply by the number of premises in an operator’s gambling estate. As those thematic costs exhibit few economies of scale, it is more appropriate to recover them in proportion to the gambling volume (GGY) generated by operators.

### **GGY distribution in the bingo sector**

#### **Reasons for the proposals in the consultation document**

- 1.12** In order to understand the fee increases for some operators in the bingo sector, it is important to understand the distribution of bingo operators within current fee categories (premises numbers) and the GGY generated by those operators.

*Table 1: non-remote bingo fee increases and decreases under the consultation proposals*

Bingo fee category (current categories based on premises numbers, and current annual fee)	Number of operators currently in that fee category	Number of operators in category with proposed fee <b>decrease</b> (consultation proposals )	Number of operators in category with proposed increase (consultation proposals)
<b>A</b> (1-4 premises - £1,531)	169	<b>140</b> (i.e. GGY less than £750k)	<b>29</b> (i.e. where GGY >£750k)
<b>B</b> (5-15 premises - £6,894)	11	<b>6</b> (i.e. GGY less than £7.5m)	<b>5</b> (i.e. GGY greater than £7.5m)
<b>C</b> (16-50 premises - £17,914)	5	<b>4</b> (i.e. GGY less than £14m)	<b>1</b> (i.e. GGY greater than £14m)
<b>D</b> (51-99 premises - £43,921)	2	<b>1</b> (i.e. GGY less than £125m)	<b>1</b> (i.e. GGY greater than £125m)
<b>E</b> (100+ premises - £95,840)	1	<b>1</b>	0

**1.13** There are 169 operators in the current bingo fee category A (four or fewer premises) of which several dozen are **social clubs, working men's clubs or holiday parks**. These require an operating licence for conducting high turnover bingo (where stakes or prizes from bingo exceed £2,000 in any seven day period) but compared to high street retail bingo operators they generate very little GGY. Some clubs or parks will only provide high turnover bingo on an infrequent basis, and most only make a very small number of lower-stake gaming machines available, if any. The relatively low GGY of such operators reflects the minimal gambling facilities they provide, and the much lower footfall at these clubs compared to many **high street or retail bingo premises**. Although there are fixed costs of regulation that need to be recovered from clubs and parks as operating licence holders, relatively few thematic costs should be recovered from them given their small levels of GGY.

**1.14** In contrast, several retail bingo operators trade from only a handful of premises but offer bingo and gaming machine facilities on a much greater scale and generate a GGY that is significantly larger than that of any club or park. Under the current premises-based fees structure, those operators pay the same annual fee as the clubs and parks. Retail bingo operators with a regional presence of between 5 and 15 premises currently pay around £5,300 more in annual fees than operators in fee category A, but some generate a GGY that is several dozen times greater than that of any club or park. The amounts of regulatory costs currently being recovered from the different types of bingo operator are therefore out of step with the levels of GGY being generated, and the fee proposals aim to redress that.

**1.15** For example;

- One operator currently in fee category A would see a fee increase from £1,531 to £10,464. That operator's GGY is almost 150 times larger than the average GGY generated by membership clubs with a bingo operating licence, and is greater than even the combined GGY of the 100 smallest bingo operators.
- While some regional retail bingo operators with 5-15 premises will be subject to fee increases of between £3,500 and £16,500, their GGY is from 100 times up to 300 times greater than the average GGY generated by membership clubs.
- Most bingo operators subject to a fee increase are currently in fee category A (annual fee of £1,531) but the GGY of those operators is typically between 10 times and 40 times greater than the average GGY generated by membership clubs.

**1.16** It should also be noted that the volume of gambling generated through **gaming machines** is generally much lower at membership clubs and institutes etc than on retail bingo premises. These differences largely relate to the gaming machine entitlements conferred by bingo premises licences (issued by local authorities and not the subject of this consultation). A bingo premises licence permits any number of Category C or D gaming machines and 20% of machines can be category B3; in comparison, club gaming permits and club machine permits only allow three

machines in total, no higher than category B4. Most social clubs etc that hold an operating licence for high turnover bingo either do not hold a bingo premises licence or in any case only make very few, if any, lower-stake gaming machines available for use in reliance on a club permit or an alcohol licence. The Commission must ensure that its costs in relation to gaming machines are recovered proportionately among bingo operating licence holders.

- 1.17** We therefore consider it to be **fairer and more proportionate** that the proposed fee bands, being based on GGY rather than premises numbers, *would realign cost recovery within the non-remote bingo sector* away from the clubs, holiday parks and caravan parks that generate very little gambling volume, towards larger retail bingo outlets that generate much larger volumes through offering much more extensive gambling facilities.

***Amendments to fee proposals as a result of the consultation – bingo, AGC, FEC and non-remote general betting (standard) fee bands***

- 1.18** However, after considering responses received to the consultation, the Commission has further reviewed its costs in relation to the non-remote bingo and several other sectors. We therefore recommend some small modifications to the proposed fee bands. These will reduce the scale of the fee increases for several medium-sized bingo operators, while meaning that a slightly greater proportion of costs are recovered from the largest operators in the bingo sector. This is proportionate to the Commission's cost of regulation.
- 1.19** Under the consultation proposals, all bingo operators with a GGY between £750,000 and £2m would have been due to pay an annual fee of £3,055. The Commission estimates that around 20 bingo operators who currently pay an annual fee of £1,531 would have been subject to that new fee level. We intend to introduce a new fee band for operators with an annual GGY between £750,000 and £1.25m, with an annual fee of £2,050. We estimate that around 16 of those 20 operators will therefore pay annual fees of £2,050 rather than £3,055 as under the original proposals.
- 1.20** For those bingo operators subject to an increase, we anticipate that **their new annual fee as a percentage of their GGY** will be only **0.08% to 0.13%** for regional retail bingo operators, and between **0.09% and 0.27%** for bingo operators currently in fee category A. These percentages are comparable with those of operators subject to fee increases in other sectors of the gambling industry.
- 1.21** An additional fee band for operators with a GGY between £750,000 and £1.25m will also be added for the non-remote general betting standard, non-remote general betting (standard) (no gaming machines), adult gaming centre (AGC) and family entertainment centre (FEC) licences. The additional band is expected to mean that around 20 operators across the betting and arcade sectors will have smaller fee increases than originally proposed; and a further 20 who would have already received a fee reduction will see further decreases in fees.
- 1.22** To ensure that costs are spread more proportionately among the largest operators, we intend to revise the GGY thresholds of the E2, E3 and E4 fee

categories for bingo and AGC licences. The E3 fee band will now begin at £225m GGY and the E4 band at £325m GGY.

- 1.23** These amendments are depicted in the table at Appendix A. They are consistent with the consultation's other proposals to increase fairness in the fees structure i.e. the creation of narrower fee categories, particularly for smaller operators, to ensure that the fee increases between bands are smoother; and the realignment of some costs so that they are recovered more proportionately to GGY.

***Fee increases for medium-sized and large remote betting operators***

- 1.24** Some responses questioned the increase in fees for medium-sized and large remote operators and requested more explanation of the reasons. The Commission estimates that 11 medium-sized or larger remote betting operators would see an increase in fees. The proposals would also deliver significant fee reductions for 100 much smaller remote betting operators, the majority of which have a GGY below £5m.
- 1.25** As with the terrestrial bingo sector, the Commission's *overall* costs in respect of remote betting have reduced, enabling an overall reduction in the fees payable by remote betting operators as a whole. It is therefore a question of *how* those costs should be recovered. As noted in paragraph 1.11, a large proportion of the Commission's cost base can be described as thematic, in contrast to other costs such as direct compliance or enforcement costs, and the largely fixed costs of regulating each operator.
- 1.26** Thematic costs in respect of remote betting operators include, for example, betting integrity, the development of Licence Conditions and Codes of Practice (LCCP) and Remote Technical Standards including the testing strategy. As there are very few economies of scale available to the Commission in these costs, it is appropriate that they should be recovered in proportion to the gambling volume generated by each operator, with GGY considered to be the best measure in that regard. While we have sought to realign cost recovery among other sectors of the gambling industry as necessary (for example, in the terrestrial betting sector), the need for that realignment is most pronounced in the remote betting sector.
- 1.27** Since 2007 when fees were first set, the Commission's cost profile has changed. The fixed, minimum costs of regulating smaller remote operators have fallen (which is why the proposals would see the smallest fee for a remote general betting (standard) or betting intermediary licence reduce from £13,529 to £3,408). However, its thematic costs base has continued to grow. The fees for large remote betting operators are currently set at too low a level to recover a fair proportion of thematic costs given the relative volumes of gambling they generate. The proposals therefore seek to ensure that thematic costs are spread more proportionately to GGY.
- 1.28** It should be noted that for those remote betting operators subject to an increase, we anticipate that **their new annual fee as a percentage of their GGY** will be



only **0.09% to 0.27%** for a medium-sized betting operator as described above, and between **0.06% and 0.13%** for a larger remote betting operator.

### ***The remote 'dividend'***

- 1.29** The Commission explained at paragraphs 4.9 to 4.11 of its September 2015 fees discussion paper that the extension of licensing to overseas remote operators had created an increase in its income (which had been difficult to predict with any accuracy), without a directly proportionate or corresponding increase in costs. It considered that there should therefore be scope to reduce *average* fees, potentially by up to 5%. However, it was noted at paragraph 7.3 that even if the overall average level of fees could be lowered (for example, as a result of the efficiency gains it has achieved and the remote dividend), "some groups and individual licensees will see fee increases. Further, it is possible that some of these may be significant in percentage terms".
- 1.30** The eventual preferred option put forward in the consultation was to reduce annual fees on average by 10%. However, one of the key characteristics of that option (option one) is that the overall 10% reduction would be accompanied by a realignment of cost recovery so that some fees are set more proportionately to GGY. As a result, many operators would receive fee decreases greater than 10%, some would receive increases greater than 10%, and others would have their fees held (for example where cost efficiencies have been offset by rising costs in other areas). The third consultation option was based on a flat 10% reduction for all operators, which may have more closely matched the expectations of those who would have preferred the 'dividend' to be applied equally to all operators.
- 1.31** However, option one remains the preferred option of the Commission and DCMS (and broadly for most consultation respondents who submitted comments in that regard). A flat 10% reduction would fail to address concerns regarding the fair and proportionate recovery of regulatory costs from differently-sized operators through fees.

### **Consultation Question 2: Do you agree with the proposal to sub-divide certain fee categories into smaller bands?**

- 1.32** Almost all respondents were in favour of the principle of sub-dividing fee bands into a greater amount of smaller bands (fee categories). Some respondents suggested that there should be even further sub-divisions of bands, particularly at the top end for some of the larger operators.

### **Response**

- 1.33** As described above, an additional fee band will be added for medium-sized general betting (standard), bingo, AGC and FEC operators whose GGY is between £750,000 and £1.25m. This is expected to result in around 16 bingo operators, 16 arcade operators and 5 betting operators having smaller fee increases than originally proposed. A further 13 arcade operators and 6 betting operators who would have already received a fee reduction under the proposals will see fees decrease further.

- 1.34** The size of the fee bands for the largest bingo and AGC operators (fee categories E2, E3 and E4) will also be amended to ensure that differently-sized operators at the top end of the sectors will pay different fees. This will ensure that a more proportionate amount of costs is recovered in relation to GGY while still ensuring that economies of scale are reflected in the fee bands.
- 1.35** The number of fee bands proposed for any given licence type is a product of several factors, including the total regulatory costs the Commission needs to recover from each sector; the total number of operators who hold a type of licence; and the GGY generated by each of those operators. Where there is a wide spread of operators with very different levels of GGY, fee bands reflect that to ensure fairness in the recovery of costs from each of those operators. We do not consider it necessary to change the proposed fee bands further at this stage.

**Consultation question 3: Do you agree with the proposal to introduce a ‘fee formula’ at the top end of some licence types rather than using a fixed fee amount as the highest fee category?**

- 1.36** A number of respondents questioned the basis for introducing fee formulas, including how the Commission could know whether its workload would actually increase in the proportions needed to justify the additional fee. Other respondents requested more detail as to what is actually meant by a ‘fee formula’, or stated their preference for having more fee bands at the top end instead. A number of respondents were in agreement with the proposals.

**Response**

- 1.37** The fee formulas proposed would simply be an alternative to having more bands, and in practice would have the same effect as adding an infinite number of fee categories to the top end of a licence type. For example, the formula proposed for the remote betting (real events) and the remote betting intermediary licences, “£494,856 plus £200,000 for every £500m of GGY above £1 billion GGY” could instead be expressed as bands themselves, as demonstrated below.

*Table 2: the fee categories represented by a formula for the remote general betting (standard) (real events) licence*

	<b>Last fee category before formula</b>	<b>Fee categories represented by fee formula</b>			
<b>GGY band</b>	<b>£550m to £1bn</b>	<b>£1bn to £1.5bn</b>	<b>£1.5bn to £2bn</b>	<b>£2bn to £2.5bn</b>	<b>£2.5bn to £3bn</b>
<b>Annual Fee</b>	<b>£494,856</b>	<b>£694,856</b>	<b>£894,856</b>	<b>£1,094,856</b>	<b>£1,294,856</b>

- 1.38** No operator in any of the gambling sectors is currently close to approaching a GGY that would be caught by any of the formulas. However, the main intention of introducing such bands is to ensure that, if any operator's business were to grow beyond the GGY limit of the top fee category for any licence type, the Commission would still be able to recover a fair proportion of its regulatory costs from that operator.
- 1.39** Some respondents argued that an increase in an operator's GGY does not necessarily equate to an increase in the Commission's regulatory costs. However, the most likely reason for an operator's GGY becoming so large that the fee formula would apply would be that it had merged with another operator(s), or had otherwise acquired its business. In these circumstances it is likely that the operator whose business is acquired would in due course surrender their operating licence. While this would reduce the Commission's fee income, the fact that the business had been transferred elsewhere would mean that the Commission's regulatory costs would be unlikely to reduce in the same way. While there would be fewer licensed entities as a result of merger or acquisition, the same *volume of gambling* would, all things being equal, continue with the new single operating entity.
- 1.40** Alternatively, an operator might eventually find itself paying fees under a formula simply due to an expansion of its business (i.e. an increase in gambling volume) without any merger or acquisition. Such a huge increase in gambling volume would in any case be expected to increase the Commission's costs, as the scale of that operator's business would significantly raise its potential impact on the licensing objectives. It should be noted that, if any operator was actually in the GGY fee band £2.5 billion to £3 billion (as illustrated in table 2), the GGY of that operator alone would represent almost one-third of the total volume of gambling currently regulated by the Commission (excluding National Lottery gambling).

**Consultation Question 4: Do you agree with the proposal to replace “number of licensed” premises with GGY as the unit by which fee categories will be assigned to certain non-remote operating licences (bingo, general betting (standard), adult gaming centre and family entertainment centre)?**

- 1.41** Several respondents supported the move to GGY-based fee categories, with representatives of the betting and arcades sectors being in favour. However, others asked why GGY should be an indicator of increasing regulatory attention or increasing costs, and argued that it does not take into account the differences in the provision of gambling or the environments in which gambling takes place. Some bingo operators favoured the retention of premises rather than GGY as the move to GGY would penalise stronger-performing businesses.
- 1.42** A number of respondents asked which annual period of GGY would be used for invoicing annual fees, and what regulatory return data would be used.
- 1.43** While fully supporting the move away from fees based on premises towards fees based on GGY, some respondents also stated their preference for fees to be

charged as a percentage of GGY rather than having a system of fee bands in which the same annual fee is payable by all operators within a certain range of GGY.

## Response

### ***GGY as a basis for cost recovery***

- 1.44** As explained in the consultation, the Commission's 2015 fees discussion paper and elsewhere in this document, the main driver of the risk to the licensing objectives, and therefore of the Commission's regulatory effort, is the volume of gambling activity generated by licensed operators (best measured by GGY). This applies in different ways to direct compliance and thematic costs. In general, an increase in gambling volume may (for example) generate more consumer complaints or regulatory issues. So where an individual operator's GGY increases, more direct compliance work with that operator may be needed. However, the fees for larger operators also take account of the economies of scale involved in regulating such larger entities (e.g. larger operators have compliance departments that are able to undertake their own auditing and supply data to the Commission). While fees will therefore increase as an operator's GGY increases, the economies of scale in those fees are reflected in the fact that the annual fee as a percentage of an operator's GGY reduces as the operator moves up the fee bands.
- 1.45** However, an increase in GGY may also raise certain thematic risks or issues of compliance across an industry sector more generally. Some respondents argued that their licence fee should simply be a reflection of the number of visits made by Commission staff to their premises i.e. direct contact time. But as explained in the discussion and consultation papers, some of the Commission's costs show very few economies of scale and these should most appropriately be recovered in proportion to gambling volume (e.g. costs related to monitoring emerging risks and developments in anti-money laundering, betting integrity, or innovation that challenges the boundaries of the Gambling Act). The potential risks to the licensing objectives, and the Commission's thematic costs, increase when the volume of gambling in a particular sector increases, and this is taken into account when fees are reviewed. The fees structure allows the Commission to recover a proportionate amount of thematic costs when an individual operator's GGY increases.
- 1.46** The different risks and costs associated with different forms of gambling are addressed by allocating costs to sectors and licence types. Operators of a similar business model (e.g. betting operators who trade from premises) are grouped together by the same type of licence (e.g. general betting (standard)). The Commission identifies specific sub-categories of cost and allocates them to licence types based on gambling provision. For example, costs relating to gaming machines are recovered from all betting operators who provide them in their premises, but not from those (such as track bookmakers) who do not provide machines. Similarly, the Commission's costs of advising government on lottery standards would be recovered from society lottery and lottery manager licensees. GGY is then used as a basis for recovering those common costs from differently-sized operators who hold the *same* type of licence.

**1.47** As a consequence, fee levels vary between licence types. £1m of GGY in one sector can represent a higher level of risk and associated cost for the Commission than in another. For example, £1m of GGY in the non-remote betting sector, for which there will be regulatory costs for betting integrity and Category B gaming machine issues will have higher annual fees than £1m of GGY generated by family entertainment centre operators which make only category C and D machines available.

***Alternative fee structures – fees charged as a pure percentage of GGY***

**1.48** In developing the consultation proposals serious consideration was given to alternative fee structures, in particular a system (such as the one suggested by some respondents) whereby operators might pay their annual fees based on an exact percentage of the GGY (or gross sales value or annual proceeds) generated, rather than the current structure which places operators into fee categories based on GGY between certain ranges.

**1.49** Two key principles were applied in analysing different fee structure models. The first was to ensure fairness for operators in the fee structure i.e. ensure that costs would be recovered proportionately from differently-sized operators within each sector. This included ensuring that the fees structure reflects the *fixed costs* of regulating each licensed entity (which increase only marginally as an operator's business grows) as well as the *economies of scale* in regulating larger entities. The second was to ensure that the fees structure remains relatively simple, so that any operator can have reasonable certainty in the amount of fees payable by them (and that the Commission can reasonably project its fee income to cover its operating costs).

**1.50** While the majority of the Commission's costs have very few economies of scale, and could therefore be recovered in direct proportion to GGY or other relevant metric, other costs cannot simply be recovered in the same proportions. The fact that there are *fixed costs* in regulating operators (meaning that even the smallest operators must pay a certain minimum fee for holding a licence, even before any other costs are recovered from them) and *economies of scale* in compliance costs to be recovered from medium and larger operators mean that it would not be fair to simply recover costs through fees based on a standard single percentage across all operators within a sector.

**1.51** For example, if all general betting (standard) operators paid their annual fees based on 0.15% of GGY they generated, a smaller bookmaker who generated around £250,000 of GGY would pay an annual fee of only £375, which would be too low to recover the Commission's regulatory costs. On the other hand, the largest bookmakers, generating hundreds of millions in GGY, would each pay £1,000,000 or more in annual fees and the Commission would therefore significantly over-recover its costs from those largest operators. A standard percentage fee for all operators would therefore be unfair as it would not reflect the fixed costs or the economies of scale in compliance costs.

**1.52** To make a percentage-based system fairer, we would have to consider options such as variable percentages among differently-sized operators, or charging a certain amount to recover fixed costs and then a variable percentage-based fee on top. Purely for illustration, the small bookmaker might pay £1,200 plus 0.15%

of GGY to reflect, respectively, the recovery of fixed costs plus the recovery of some of the thematic and compliance costs incurred across the sector. A medium-sized bookmaker might pay £3,000 plus 0.1% of GGY, while the largest operators might pay £10,000 + 0.05% of GGY (the higher fixed amounts reflecting the higher fixed costs of regulating larger entities; but the lower percentage rates would reflect the economies of scale available in terms of compliance costs for larger operators).

- 1.53** In seeking to ensure that a fees structure based on percentages remained fair for differently-sized operators, this would therefore effectively create a system of *bands or gradations*, just as the current structure has bands, or fee categories. As the exact fee would remain uncertain until the final GGY was obtained, it is our view that it would create a structure that was significantly more complicated than the present one.
- 1.54** Responses to the Commission's fees discussion exercise in 2015 indicated that there was broad support from stakeholders across the gambling industry for retaining the current fees structure and banded system. It provides a greater level of certainty for operators than a percentage-based structure could, as operators are able to know exactly what fee they will be required to pay based on their fee category and how close they are to crossing a fee band. The structure also allows the Commission to predict the fee income it will receive much more accurately than a percentage structure. The consultation therefore proposed to retain the broad structure of fees based on bands/categories, as that structure is able to deliver a much better balance between fairness and simplicity.

#### ***Annual GGY period***

- 1.55** The Commission will use an operator's most recent annual regulatory return (or for an operator that submits returns quarterly, the previous four regulatory return submissions) in order to allocate an operator to a fee category based on GGY (or gross value of sales or proceeds, as appropriate). That category will form the basis of the annual fee that is due before the operator's next licence anniversary date. The Commission will be writing to all operators very shortly, and in advance of the implementation of the changes to fees, to confirm their GGY.

#### **Consultation Question 5: Do you agree with the proposal to replace "size of premises" with "GGY" as the unit by which fee categories will be assigned to non-remote Casino (2005 Act) operating licences?**

- 1.56** Responses from the casino sector expressed concern at the proposed difference in annual fee levels between operators whose premises have converted from the Gaming Act 1968 and those who hold new 'Small' or 'Large' casino licences under the Gambling Act 2005. They argued that there is little difference between the two types of premises, other than in respect of gaming machine numbers, and there should therefore be greater parity between the fees. One respondent argued that annual fees for Small 2005 Act casinos should be lowered to 1968 Act fee levels.

## Response

**1.57** The Commission has reviewed its costs in relation to 2005 Act and 1968 Act casinos, and the fee differentials between the two types of operator. The differences in gaming machine entitlements (a 1968 Act casino is permitted a maximum of 20 machines of up to category B1; a Small 2005 Act casino is permitted up to 80 and a Large casino can have up to 150, depending on the number of gaming tables), and therefore the differences in the volumes of machine gambling at 2005 Act premises compared to 1968 Act premises, mean that it is appropriate for a greater proportion of the Commission's regulatory costs relating to gaming machines to be recovered from a 2005 Act casino operator.

**1.58** However, the Commission's review of its costs indicates that the GGY-based fees originally proposed for Small 2005 Act casinos (generally, those whose businesses would be in the new fee categories A1 and B1) were set at too high a level, being three times higher than the annual fee for a 1968 Act casino with the same GGY. We are satisfied that the regulatory differential is narrower, and the proposed fees for 2005 Act casinos at fee categories A1 and B1 will therefore be significantly reduced. The table below shows the fees originally proposed for 2005 Act casinos (in blue) with the amended fees in green below them (and the fees for 1968 Act casinos by way of comparison).

**Table 3: Amendments to consultation proposals for non-remote Casino 2005 Act annual fees**

Casino 2005 Act annual fees (consultation proposals)		A1	B1	C1	D1	E1	E2	E3
	GGY	Less than £5.5m	£5.5m to £27.5m	£27.5m to £110m	£110m to £200m	£200m to £300m	£300m to £400m	£452,837 plus £120,000 for every £150m of GGY above £400m GGY
	Annual Fee	£46,659	£60,520	£105,110	£194,256	£352,026	£452,837	
Casino 2005 Act annual fees from April 2017		A1	B1	C1	D1	E1	E2	E3
	GGY	Less than £5.5m	£5.5m to £27.5m	£27.5m to £110m	£110m to £200m	£200m to £300m	£300m to £400m	£452,837 plus £120,000 for every £150m of GGY above £400m GGY
	Annual fee	£21,714	£34,440	£105,110	£194,256	£352,026	£452,837	
Casino 1968 Act fees from April 2017		A1	B1	C1	D1	E1	E2	E3
	GGY	Less than £5.5m	£5.5m to £27.5m	£27.5m to £110m	£110m to £200m	£200m to £300m	£300m to £400m	£400,586 plus £100,000 for every £150m of GGY above £400m GGY
	Annual Fee	£16,714	£22,440	£71,943	£167,256	£324,704	£400,586	

### Consultation Question 6: Do you agree with the proposal to reduce variation fees from 20% of the application fee to £25 for all operators when they apply to vary to increase their fee category?

**1.59** Around half of all consultation respondents commented on this question, with almost all fully supportive of this proposal. One respondent would prefer there to be no charge at all for variations to increase fee categories.

## Response

**1.60** When an operator increases or decreases their fee category, a change must be made to the specific condition on the operator's licence which limits the GGY (or annual proceeds etc) that the operator may generate in an annual period in reliance on the licence. As such, when an operator applies to change their fee category, they are applying to vary their licence in respect of that specific condition. The Commission must process the variation application upon receipt, amend their records of the operator, and amend and reissue the licence with the new condition. The £25 fee is needed for the Commission to recover its costs.

### **Consultation Question 7: Do you agree with the proposed introduction of a new 'game host' operating licence type for gambling software licensees that also provide facilities for gambling by making their games available directly to customers of another remote casino or bingo operator?**

- 1.61** A number of B2B licensees provided comments on this particular question. Several were strongly in favour but said that the fees for the game host licences should be lower. Respondents also asked a number of questions, either seeking clarity on particular aspects or asking that further provisions be considered. These included;
- Whether game host licensees would be subject to the Commission's requirements under the Remote Gambling and Software Technical Standards (RTS) to undergo an annual security audit.
  - Whether the new licences would only apply to B2B software developers that integrate their software with B2C platforms, or whether the licences could also be held by B2B 'intermediaries' that provide content aggregator services.
  - One operator questioned the use of GGY as the basis for fee categories for the game host licences, and suggested that 'gross value of sales' (the revenues received by the game host from the B2C) should be used instead, as some hosts receive only a set fee from the B2C instead of a percentage of GGY.
  - One respondent asked whether the proposed game host licences would be extended beyond gaming (casino and bingo) to cover other forms of host licences, specifically, lottery and betting hosts. Another respondent specifically requested the addition of a host licence for those that provide facilities for betting (e.g. sportsbook) through another operator's platform but in circumstances where the sportsbook provider does not contract with any of the B2C's customers.
- 1.62** Several respondents provided comments on the Commission's consultation on the Licence Conditions and Codes of Practice (LCCP) applying to game host licences should they be introduced. These comments are briefly summarised at Appendix G, along with the Commission's response and a summary of the LCCP that will apply to host licences.



## Response

### ***Fee levels for the proposed licences***

- 1.63** The fee levels proposed for the game host licences would be lower than those for the corresponding B2C (remote casino and remote bingo) licences. Fewer LCCP would apply to them, consistent with the proposed specific licence condition that hosts must not contract directly with any customer. The Commission would expect its regulatory effort to be lower in respect of hosts. However, as they will still be providing facilities for gambling, the Commission will expect hosts to play a vital role in support of the licensing objectives and to work with B2C operators in delivering these.
- 1.64** The new general condition 3.1.3 will require hosts to make arrangements to share information with the B2C operator whose customers use the host's products, so that both the B2C and the host can discharge their obligations in respect of e.g. the prevention of money laundering and problem gambling. In addition, there is no standard business model for hosts and some B2C operators depend on their game hosts for the provision of key information such as customer spend and play patterns. We therefore consider that the proposed fees for hosts are at the right level, given the regulatory responsibility that may rest with them.

### ***Annual Security Audit***

- 1.65** The Commission's testing strategy for compliance with the 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, operators who we anticipate would be eligible for a host licence in future are currently required to hold a 'full' remote casino or bingo licence, because they provide facilities for gambling; they are therefore subject to the full security audit requirements.
- 1.66** While it is proposed that fewer LCCP would be applicable to the host licences than to remote casino or bingo licences, we consider that game hosts should continue to be subject to the security audit requirements outlined in the RTS and testing strategy. This is important for a number of reasons. In particular, a games manufacturer may host their games through several different B2C operators, and each will need to have confidence that the host has the appropriate security controls in place for those games. While the game host may not hold specific details of a customer, secure functions such as holding gambling transaction records, generating random numbers to determine game outcomes, and transmitting or processing customer balances from an individual game back to the main account, will all rest primarily with the game host.
- 1.67** The Commission will clarify in its [Security Audit advice note](#) that hosts are included within the security requirements outlined in the RTS. This will not absolve B2Cs of their own responsibility and we would expect them to obtain assurances from their hosts as outlined in section 6 of the advice note.

### ***Other points of clarification***

- 1.68** The Commission is aware that some B2B software licensees who provide content aggregation services also provide facilities for gambling i.e. by hosting certain games. In those circumstances, they would require a host licence. However, we acknowledge that there are a number of varieties of software-provision business models. The specific conditions applied to host licences will be key in determining whether any particular operator might be entitled to hold a host licence rather than a full remote operating licence.
- 1.69** The specific conditions will be that a host licence;
- (a) is held by the holder of a gambling software operating licence;
  - (b) only permits the licensee to provide facilities for gambling in circumstances in which he does not contract directly with **any** of the participants using those facilities, and;
  - (c) does not authorise the licensee to provide facilities for peer-to-peer gaming networks.
- 1.70** The last condition reflects our intention (see paragraph 4.4.2 of the consultation document) that the new game host licences will not allow a B2B to provide 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 regulatory costs involved with such network operators means that it is more appropriate for them to continue to hold the existing remote casino operating licence.
- 1.71** Where an operator contracts directly with customers in *some* circumstances (as a B2C) but also provides a game host service in other circumstances, that operator will be required to hold the 'full' remote casino or bingo licence rather than a host licence. Condition 3.1.2 of the LCCP would apply to that business rather than condition 3.1.3.

### ***GGY as the basis for fee categories for the host licence***

- 1.72** One operator stated that the fee categories for host licences should be based on gross value of sales rather than GGY, because some hosts receive a fixed payment from the B2C. The calculation for annual gross gambling yield is  $A+B-C$ , where:

A = the total of any amounts paid to the licensee by way of stakes in the relevant period in connection with activities authorised by the licence

B = the total of any other amounts (exclusive of VAT) that will otherwise accrue to the licensee in the relevant period directly in connection with the activities authorised by the licence (for example, bingo participation fees), and

C = the total of any amounts that will be deducted by the licensee for the provision of prizes or winnings in the relevant period in connection with activities authorised by the licence.

- 1.73** The Commission is aware that many game hosts have profit share arrangements with B2C operators, whereby the host retains a certain percentage of GGY from the games they host via 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 return.
- 1.74** Where a game host receives a fixed payment from the B2C, then this would count as 'B' in the equation above i.e. accruals to the licensee in connection with the licensed activities. That payment would therefore be reflected as GGY, even though parts A and C of the equation may not apply.
- 1.75** If an 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 the 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 should be captured on the Gambling Software regulatory return.
- 1.76** 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.
- 1.77** Licensees are also advised to take note of the Commission's [advice on the treatment of bonus payments](#) in this regard.

***Whether a 'betting host' or 'lottery host' licence would be made available***

- 1.78** The key principle underpinning the proposed game host (casino) and game host (bingo) licences is that gambling software manufacturers who make their games available through other operators' websites or mobile platforms are providing facilities for gambling by doing so. That is, while they do not contract with the customers of the B2C platform (and so have no responsibilities for age verification for example), they need to hold more than the gambling software licence by virtue of their directly providing gambling facilities to the customers of that other party.

***Betting host licence***

- 1.79** We agree that it would be consistent with the proposals on 'game host' licences to also introduce licences for operators who provide facilities for betting to customers of a B2C operator but do not contract with any customers themselves. The request was made in respect of real event betting (i.e. sportsbook) but for consistency we will also introduce a host licence for the provision of facilities for betting on virtual events, given the synergies between virtual event betting and casino gaming (i.e. the use of RNG software).

- 1.80** Both the real event betting (host) and virtual event betting (host) licences will have the same specific licence conditions attached to them as the game host licences, as set out in paragraph 1.69 above. The Commission will also apply the same general conditions and codes (i.e. LCCP), although a small number of additional codes will also apply to the betting host licences, where those codes already apply generically to all betting licences. A summary of all LCCP that will apply to game host and betting host licences is provided at Appendix G, with a summary of consultation responses and the Commission's position in turn. For clarity, the Remote Technical Standards, Testing Strategy and security audit requirements will apply to betting host licences and to game host licences.
- 1.81** The annual fees that will apply to the real event betting (host) and virtual event betting (host) licences are at Appendix D alongside all other fees that will take effect from April 2017. The application fees are at Appendix F. The virtual event betting (host) licence will be subject to discount arrangements when combined with a remote game host casino and/or remote game host bingo licence. That is, where any operator holds two or three of the game host (casino), game host (bingo) and virtual event betting (host) licences, a composite fee category will be calculated by totalling the GGY from the relevant activities to arrive at a single fee category. The additional fees for holding the second or third licences would be fixed i.e. £785 application fee and £1,875 annual fee for each additional licence, irrespective of the composite fee category.
- 1.82** The Commission will keep under review the business models that are able to hold one of the host operating licences, to ensure that those licensees are genuinely providing facilities for gambling without contracting directly with any customer. It will also keep under review the LCCP that will apply to the host licences, as set out in the appendices here, to ensure they remain appropriate for the gambling facilities being provided.

#### ***Lottery host licence***

- 1.83** A lottery operating licence can only be issued to a non-commercial society (e.g. established for purposes other than private gain), 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 (e.g. 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.
- 1.84** We are aware that there are various different ELM business models. For example, most society lotteries employ ELMs to do only some of the activities outlined in section 252(2) of the Gambling Act rather than all of them; but some societies will use more than one ELM or will use different ELMs to run different types of lottery product. ELMs will also contract out some promotional services to another ELM. Importantly, it is very difficult to assign a greater compliance risk to any one of the s.252 activities over another and the Commission has conducted compliance work in respect of most of those activities.

**1.85** Therefore, where a lottery's software provider also becomes responsible for the promotion of the lottery (e.g. by hosting online lottery products), it would need to obtain an ELM licence given that each of the s.252 activities can pose its own significant or unique risks. As the service provider will be a commercial entity, it could only hold an ELM licence rather than a society lottery licence. A 'reduced' ELM licence for operators hosting lottery products is not considered to be appropriate as a lower fee may not be sufficient for the Commission to recover its regulatory costs.

**Consultation question 8: Do you agree with the proposed expansion of the gaming machine technical and gambling software remote ancillary licence to allow software to be supplied by FTP or by email up to a limit of £50,000 in annual sales (and where the annual sales in reliance on the corresponding non-remote operating licence exceed the sales in reliance on that ancillary licence)?**

**1.86** A number of respondents commented on the question and there was general agreement with the expansion of the remote ancillary licence as proposed. One respondent queried whether a financial limit on the licence was appropriate, while another raised concern that File Transfer Protocol (FTP) is archaic and our definition of providing software by remote means should be amended.

#### **Response**

**1.87** The aim of expanding the scope of this ancillary licence is to allow businesses to supply software by remote means, on a limited basis, without having to apply for a 'full' remote gambling software or remote gaming machine technical operating licence. The proposals were developed after discussion with some B2B licensees who advised that some B2C operators require software to be supplied to them by remote means. It was requested that provision be made for a limited amount of software to be supplied remotely without the need for the full licence.

**1.88** By placing a limit on the annual value of sales that can be generated in reliance on the ancillary licence, the Commission can ensure that the amount of software supplied remotely does not create regulatory costs for the Commission that are not covered by the annual fee payable for the corresponding non-remote licence (which must be held for the ancillary licence to be available to an operator).

**1.89** The method of remote software supply permitted by the ancillary licence will also be restricted to FTP, rather than permitting other more complicated means of secure file transfer or encryption for which the 'full' remote gambling software operating licence would be necessary in order for the Commission to recover its regulatory costs. The Commission intends to keep this under review and may recommend alternatives to DCMS in the future if technological changes necessitate this.

**Consultation question 9: Do you agree with the proposal to remove the 5% first annual fee discount when two licences are held, but to instead introduce a 25% first annual fee discount for newly-licensed remote operators (bringing the discount in line with the existing provision for non-remote first annual fees)?**

**1.90** This proposal was welcomed by respondents. One respondent asked whether an operator would need to hold *both* a remote and non-remote licence to qualify for the proposed discount. They also asked how the discounts might apply when a group of companies hold several licences.

**Response**

**1.91** The proposal would introduce a 25% first annual fee discount for new remote operating licences, and this discount would apply *whether or not* a business already held a non-remote licence. Non-remote licences are already subject to 25% first annual fee discounts, and that provision will remain.

**1.92** The discounts would be applied to the operating licence (i.e. the non-remote licence and the remote licence) and so if a group was granted, for example, ten operating licences across five operating companies, all ten of those licences would be subject to the 25% first annual fee discount. The table below outlines the current and new discount arrangements for first annual fees.

**Table 4: first annual fee discounts**

		% first annual fee discount
Current rules for first annual fee discounts	Non-remote licence held on its own	25%
	Remote licence held on its own	None
	Both non-remote and remote held	25% on non-remote only
Rules for first annual fee discounts from April 2017	Non-remote licence held on its own	25%
	Remote licence held on its own	25%
	Both non-remote and remote held	25% on both

**Consultation question 10: Do you agree with the proposal to simplify the annual fee discount arrangements for holders of two operating licences by applying a 5% annual fee discount to every licence activity on both the non-remote and remote operating licences (instead of applying the combined licence fee discount in circumstances where both licences are held)?**

**1.93** This proposal was welcomed by most respondents, although some requested further detail as to why 5% had been chosen as the level of discount. Others stated that the discount should be higher than 5% and should take account of group structures. One respondent asked whether the proposed arrangements would reduce the level of discount for the largest operators. Another sought clarification as to whether these arrangements could only apply when both non-remote and remote licences are held.

## Response

- 1.94** Where an operator holds both a non-remote and a remote operating licence, the Commission provides small discounts on their annual fees every year to reflect the reduced fixed costs of regulating a single operating entity as opposed to two. Discounts greater than 5% are not feasible because the discounts only reflect the reduction in fixed costs; that is, the Commission still needs to recover from each operating licence its regulatory costs for compliance work and thematic work. Further, the Commission licenses and regulates the operating entity and cannot take account of whether there are several entities within a group structure that share resources, for example. Group structures can be particularly complex and as there are very few efficiencies available to the Commission in this regard, additional discounts at the group level are not viable.
- 1.95** The proposals would simplify the discount arrangements when both non-remote and remote licences are held, and the Commission has calculated that all operators who hold both licences would have a slightly larger discount, in cash terms, under the proposed simplified arrangements than under the current arrangements.

### ***‘Dual’ licence discounts and combined licence discounts***

- 1.96** To clarify the proposal that will take effect from April 2017, when an operator holds **both** a non-remote and remote operating licence, the annual fee for every licence activity on both of those licences will be reduced by 5% (referred to as the **dual licence discount** in the consultation document). In contrast, when an operator holds **only** a non-remote **or** a remote licence, the existing **combined licence discount** will be applied instead. That is, where an operator holds several licence activities across their non-remote or remote licence (e.g. betting, bingo, machine supply), 5% discounts are applied to the cheaper activities. In future, where a dual licence discount is applied, this will replace the combined licence discount to ensure simplicity in the Commission’s annual fee calculations. The table below outlines further.

**Table 5: annual fee discounts when both non-remote and remote licenses are held (dual licence discounts)**

Current rules	The only licence held is a non-remote licence which has more than one activity - combined licence discount	5% discount on all licence activities except the activity that attracts the highest fee
	The only licence held is a remote licence which has more than one activity - combined licence discount	5% discount on all licence activities except the activity that attracts the highest fee
	Non-remote and Remote licence held	A further 5% discount, in addition to both of the above rules, on the overall cheaper licence
Rules from April 2017	The only licence held is a non-remote licence which has more than one activity - combined licence discount	No change, as above
	The only licence held is a remote licence which has more than one activity - combined licence discount	No change, as above
	Non-remote and Remote licence held	Instead of the combined licence discount being applied, every activity on each licence will be discounted by 5%

**Consultation question 11: do you agree with the proposal to reduce fees to £100 for a change of corporate control application where the applicant is a small family-owned limited company and the shares have been transferred to an immediate family member?**

- 1.97** All stakeholders who responded to this question agreed with the proposal. A few suggested that the fee payable for any change of corporate control application should be reduced from 25% of the usual application fee to £100, where the operator is already known to the Commission.

**Response**

- 1.98** In circumstances where a new controller who already holds an operating licence acquires 10% or more of shares in another operator but does not acquire voting power or the ability to significantly influence the management of the company, the fee payable for that change of corporate control application would be £100. However, where the acquisition of share capital also affords the new controller voting power or significant influence, the Commission will conduct some further probity checks to ensure that it remains satisfied as to their suitability. The fee payable for such applications will therefore remain as 25% of the usual application fee, to ensure that the Commission can recover its costs.

**Consultation question 12: Do you agree with the proposal to reduce application fees by 10%?**

- 1.99** All respondents who commented on this question agreed with the proposal to reduce application fees by 10%. One respondent sought clarification as to why the 10% figure had been chosen.

**Response**

- 1.100** The Commission's investment in information technology, in particular the introduction of online application services, has enabled it to streamline various processes. This will enable the reduction of all licence application fees by 10%.
- 1.101** While this efficiency applies to the initial receipt and processing of licence applications, the Commission cannot reduce application fees any further. Each application must still be fully considered before a decision is made as to whether a licence is granted. Section 70 of the Gambling Act outlines what the Commission must take account of in considering licence applications (e.g. the licensing objectives, the applicant's suitability, integrity, competence and financial circumstances). The proposed application fees represent the minimum the Commission must charge to recover its costs in delivering these functions. The 10% reduction in all application fees will be introduced as proposed, from April 2017.



**Consultation question 13: Do you agree with the proposal that applications to vary a personal licence to reflect a change in name of the licence holder, and applications to amend the name of an individual on an operating licence, will not incur any fee?**

**1.102** This proposal was welcomed by all who responded.

**Response**

**1.103** This amendment will be implemented as proposed in the consultation document.

**Consultation question 14: Do you agree with the proposal to confirm that revenue generated in reliance on an ancillary remote operating licence should be combined with the non-remote revenue, for the purposes of calculating the non-remote fee category?**

**1.104** Most respondents requested further clarity about the Commission's intention in respect of fees for ancillary licences.

**Response**

**1.105** Other than for the proposal described above in respect of expanding the scope of the gambling software and gaming machine technical ancillary licences, there is no intention to amend the fees or scope of any ancillary licence at this stage. Where any ancillary licence is restricted to an annual GGY or sales value limit, those thresholds will therefore remain.

**1.106** As stated in the consultation document, however, such licences only authorise the holder to engage in specified limited activities which are ancillary to the activities authorised by the licensee's non-remote operating licence. Where the levels of remote gambling form a substantial part of an operator's business, a 'full' remote operating licence will be necessary. The Commission will continue to keep under review the levels of gambling being conducted in reliance on ancillary remote operating licences, rather than making any recommendations to DCMS at this stage.

## Chapter 2: other responses not covered by specific consultation questions

2.1 This section addresses a number of comments and questions that were raised by respondents outside of the main consultation questions. They are summarised as follows:

- One respondent questioned why the proposed non-remote AGC fees increase in only very small increments (from £1,314 to £1,370) and then jump to £3,030, and queried how the risks for £500,000 of GGY can be only marginally greater than for £1,000 GGY.
- Some respondents questioned the basis for the proposals to hold fees for external lottery managers (ELMs) at their current levels.
- One operator suggested that there should be a smaller entry-level fee category for society lottery licences, for example for those societies with annual proceeds less than £20,000.
- One operator requested a similar entry-level category for on-course bookmakers that only trade for only a handful of days per annum.
- One stakeholder asked whether the fees for linked licences had been considered for fee reductions in the context of efficiencies.

### Response

#### AGC Fee bands

2.2 As explained in Chapter One, we will be introducing a further fee band for AGC operators with a GGY between £750,000 and £1.25m, with an annual fee of £2,000. As part of the move to GGY-based fees we will introduce more fee categories to enable us to smooth the fee increases for smaller operators as they move between categories. Operators would therefore avoid the large jump in fees from the *current* AGC Category A to Category B (£1,523 to £6,297) which is considered by some to be prohibitive to small business growth. The proposed GGY bands therefore have more gradual steps with lower fees in between each bands i.e. £1,314, £1,370, £2,000 and £3,030 etc.

#### ELM fees

2.3 Larger ELMs that manage annual lottery proceeds greater than £2.5m had their fees increased in the 2011/12 fees review, as they had previously been set too low to reflect the increasing level of Commission regulatory effort required. The influence of ELMs in the lotteries sector and the sophistication of their products had continued to increase since the commencement of the Gambling Act. Since that review, the Commission has been able to deliver some efficiencies in its overall operational costs, but its workload in relation to lotteries and ELMs has continued to increase. It is because efficiencies are being offset by rising regulatory costs in respect of lotteries and ELMs that the proposals would hold fees at their current levels for those sectors rather than reduce or increase them.

**2.4** The Commission's costs in respect of ELMs have increased in a number of areas, including in particular its work on compliance and enforcement to raise standards. This includes formal licence reviews for breaches of individual prize limits, investigation of overall governance and financial arrangements including concerns around the management of client society lottery proceeds, the identification of individual players and the protection of players' payments, transparency in ELM's arrangements to ensure gambling is fair and open and visits conducted by compliance managers to service providers.

**2.5** Its costs also include the investigation and prevention of unlicensed or commercial lottery arrangements or any other lottery arrangement that appears to be for private gain. Another major area of its work is the provision of advice to government on lotteries including, for example, umbrella licensing arrangements for societies and the statutory conditions applying to all lottery operating licences. It also continues to provide advice to consumers and other stakeholders on e.g. exempt lotteries under Schedule 11 of the Act.

### **The smallest 'entry level' fees and categories for society lotteries and on-course bookmakers**

**2.6** Regulating any operator involves certain minimum costs: for example the basic costs of keeping information up to date, monitoring regulatory returns, maintaining capacity to deal with queries and complaints and collecting fees. These minimum costs set a floor to any annual fee. In addition to these fixed costs, a relatively small amount of thematic activity costs will also be recovered from each operator in the lowest fee categories. The annual fees for the smallest society lotteries (£348) and the smallest on-course bookmakers (£200) represent the lowest fees that the Commission is able to charge for any operator in these sectors. These particular annual fees have been held at the same levels since 2007.

**2.7** However, societies that run small society lotteries (lotteries in which no more than £20,000 worth of tickets are put on sale and where the society's aggregate proceeds from lotteries do not exceed £250,000 a year) should note that they may operate without a Commission licence provided they register with their local licensing authority.

### **Linked licences**

**2.8** The Commission has reviewed its costs in relation to linked licences and does not propose to reduce fees for these licences. Where an operator who makes gaming machines available for use (e.g. an AGC or FEC operator) also conducts maintenance or repair on any of those machines, or installs or adapts them, they need a gaming machine technical operating licence to authorise those activities (under section 243 of the Gambling Act) as well as their AGC or FEC licence. 'Linked' gaming machine technical licences enable operators to conduct such activities on their own estate of machines (incurring no more than £50,000 per annum in costs associated with those activities) at a significantly lower fee (£375) than that for the gaming machine technical supplier operating licence (£1,186) which they would otherwise be required to hold to authorise such activities. While the Commission is able to reduce fees for AGC, FEC and most gaming machine technical licences, the fees for linked licences already represent the minimum regulatory costs that the Commission must recover for the specific activities authorised.

## Chapter 3 – conclusions and next steps

- 3.1** Following consultation, the Gambling (Operating Licence and Single-Machine Permit Fees) (Consolidation) Regulations 2017 will be submitted to the Secretary of State for Culture, Media and Sport to be made under powers conferred by sections 69, 100, 103, 107, 250 and 355 of the Gambling Act 2005. The regulations will be subject to the negative resolution procedure in Parliament and would come into force on 6 April 2017. There will also be a minor consequential amendment to the Gambling (Personal Licence Fees) Regulations 2006 to remove the fee for notifying a change of name<sup>1</sup>, which will be subject to the same process.
- 3.2** The Gambling (Operating Licence and Single-Machine Permit Fees) (Consolidation) Regulations 2017 will consolidate all of the previous amendment regulations that have been made in amendment of the first statutory instrument on operating licence fees. It will therefore consolidate the following:
- The Gambling (Operating Licence and Single-Machine Permit Fees) Regulations 2006
  - The Gambling (Operating Licence and Single-Machine Permit Fees (Amendment) Regulations 2007
  - The Gambling (Operating Licence and Single-Machine Permit Fees (Amendment) (No. 2) Regulations 2007
  - The Gambling (Operating Licence and Single-Machine Permit Fees (Amendment) Regulations 2008
  - The Gambling (Operating Licence and Single-Machine Permit Fees (Amendment) Regulations 2009
  - The Gambling (Operating Licence and Single-Machine Permit Fees (Amendment) Regulations 2012
  - It will also include the amendments made to fees regulations resulting from this review of fees.
- 3.3** The Department and the Commission would like to thank all respondents for the time taken to provide comments and feedback on the proposals set out in the fees consultation document.

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<sup>1</sup> Paragraphs 4.61 and 4.62 of the consultation document explained the proposal that applications to vary a personal licence to reflect a change in name of the licence holder (as well as applications to amend the name of an individual on an operating licence) will not incur any fee and the licence will be reissued with the amended name for free.

## Appendix A – summary of amendments to consultation proposals

For each of the operating licence types below, the fees that will take effect from April 2017 are shown in the bottom row of each respective table (i.e. shown in green background). The original proposals from the consultation document are provided immediately above in each table (in blue). Red text is used to highlight where amendments have been made in consideration of the responses received to the consultation. The fees for the remote general betting (standard) (real events host) and (virtual events host) licences are also shown.

### Annual fees for non-remote Casino 2005 Act operating licences

Casino 2005 Act annual fees (consultation proposals)		A1	B1	C1	D1	E1	E2	E3
	GGY	Less than £5.5m	£5.5m to £27.5m	£27.5m to £110m	£110m to £200m	£200m to £300m	£300m to £400m	£452,837 plus £120,000 for every £150m of GGY above £400m GGY
Annual Fee	£46,659	£60,520	£105,110	£194,256	£352,026	£452,837		
Casino 2005 Act annual fees from April 2017		A1	B1	C1	D1	E1	E2	E3
	GGY	Less than £5.5m	£5.5m to £27.5m	£27.5m to £110m	£110m to £200m	£200m to £300m	£300m to £400m	£452,837 plus £120,000 for every £150m of GGY above £400m GGY
Annual fee	£21,714	£34,440	£105,110	£194,256	£352,026	£452,837		

### Annual fees for non-remote general betting standard operating licences (categories A1 to D1)

General Betting (standard) annual fees (consultation proposals)		A1	A2	B1		B2	B3	C1	D1
	GGY	Less than £200,000	£200,000 to £750,000	£750,000 to £2m		£2m to £4m	£4m to £7.5m	£7.5m to £14m	£14m to £30m
Annual Fee	£1,324	£1,477	£3,637		£4,300	£5,422	£12,758	£30,200	
General Betting (standard) annual fees from April 2017		A1	A2	A3	B1	B2	B3	C1	D1
	GGY	Less than £200,000	£200,000 to £750,000	£750,000 to £1.25m	£1.25m to £2m	£2m to £4m	£4m to £7.5m	£7.5m to £14m	£14m to £30m
Annual Fee	£1,324	£1,477	£2,498	£3,637	£4,300	£5,422	£12,758	£30,200	

### Annual fees for non-remote general betting standard operating licences (categories E1 to E9)

General Betting (standard) annual fees (consultation proposals)		E1	E2	E3	E4	E5	E6	E7	E8	E9
	GGY	£30m to £125m	£125m to £325m	£325m to £550m	£550m to £750m	£750m to £1bn	£1bn to £1.25bn	£1.25bn to £1.5bn	£1.5bn to £1.75bn	£678,270 plus £100,000 for every £250m of GGY above £1.75bn GGY
Annual Fee	£46,633	£106,873	£193,573	£280,308	£372,145	£474,187	£576,228	£678,270		

  

General Betting (standard) annual fees from April 2017		E1	E2	E3	E4	E5	E6	E7	E8	E9
	GGY	£30m to £125m	£125m to £325m	£325m to £550m	£550m to £750m	£750m to £1bn	£1bn to £1.25bn	£1.25bn to £1.5bn	£1.5bn to £1.75bn	£678,270 plus £100,000 for every £250m of GGY above £1.75bn GGY
Annual Fee	£46,633	£106,873	£193,573	£280,308	£372,145	£474,187	£576,228	£678,270		

### Annual fees for non-remote general betting standard operators who do not make any gaming machines available for use

General Betting (standard) (no gaming machines) annual fees (consultation proposals)		A1	A2	B1		B2	B3	C
	GGY	Less than £200,000	£200,000 to £750,000	£750,000 to £2m		£2m to £4m	£4m to £7.5m	£7.5m or greater
Annual Fee	£1,224	£1,377	£3,537		£4,200	£8,417	£12,658	

  

General Betting (standard) (no gaming machines) annual fees from April 2017		A1	A2	B1	B2	B3	B4	C
	GGY	Less than £200,000	£200,000 to £750,000	£750,000 to £1.25m	£1.25m to £2m	£2m to £4m	£4m to £7.5m	£7.5m to £14m
Annual Fee	£1,224	£1,377	£2,398	£3,537	£4,200	£5,322	£12,658	

### Annual fees for non-remote bingo operating licences (categories A1 to B3)

Bingo annual fees (consultation proposals)		A1	A2	B1		B2	B3
	GGY	Less than £200,000	£200,000 to £750,000	£750,000 to £2m		£2m to £4m	£4m to £7.5m
Annual Fee	£1,322	£1,378	£3,055		£3,297	£3,708	

  

Bingo annual fees from April 2017		A1	A2	A3	B1	B2	B3
	GGY	Less than £200,000	£200,000 to £750,000	£750,000 to £1.25m	£1.25m to £2m	£2m to £4m	£4m to £7.5m
Annual Fee	£1,322	£1,378	£2,050	£3,055	£3,297	£3,708	

### Annual fees for non-remote bingo operating licences (categories C1 to E4)

Bingo annual fees (consultation proposals)		C1	D1	E1	E2	E3	E4
	GGY	£7.5m to £14m	£14m to £30m	£30m to £125m	£125m to £300m	£300m to £500m	£89,269 plus £30,000 for every £200m of GGY above £500m GGY
	Annual Fee	£10,464	£23,395	£41,080	£61,252	£89,269	
Bingo annual fees from April 2017		C1	D1	E1	E2	E3	E4
	GGY	£7.5m to £14m	£14m to £30m	£30m to £125m	£125m to £225m	£225m to £325m	£76,327 plus £30,000 for every £200m of GGY above £325m GGY
	Annual Fee	£10,464	£23,395	£41,080	£61,252	£76,327	

### Annual fees for adult gaming centre operating licences (categories A1 to B3)

AGC annual fees (consultation proposals)		A1	A2	B1		B2	B3
	GGY	Less than £200,000	£200,000 to £750,000	£750,000 to £2m		£2m to £4m	£4m to £7.5m
	Annual Fee	£1,314	£1,370	£3,030		£3,247	£3,658
AGC annual fees from April 2017		A1	A2	A3	B1	B2	B3
	GGY	Less than £200,000	£200,000 to £750,000	£750,000 to £1.25m	£1.25m to £2m	£2m to £4m	£4m to £7.5m
	Annual Fee	£1,314	£1,370	£2,000	£3,030	£3,247	£3,658

### Annual fees for adult gaming centre operating licences (categories C1 to E4)

AGC annual fees (consultation proposals)		C1	D1	E1	E2	E3	E4
	GGY	£7.5m to £14m	£14m to £30m	£30m to £125m	£125m to £300m	£300m to £500m	£88,269 plus £25,000 for every £200m of GGY above £500m GGY
	Annual Fee	£10,314	£23,095	£40,080	£60,252	£88,269	
AGC annual fees from April 2017		C1	D1	E1	E2	E3	E4
	GGY	£7.5m to £14m	£14m to £30m	£30m to £125m	£125m to £225m	£225m to £325m	£75,327 plus £25,000 for every £200m of GGY above £325m GGY
	Annual Fee	£10,314	£23,095	£40,080	£60,252	£75,327	

### Annual fees for family entertainment centre operating licences

FEC annual fees (consultation proposals)		A1	A2	B1		B2	B3	C1	D1	E1
	GGY	Less than £200,000	£200,000 to £750,000	£750,000 to £2m		£2m to £4m	£4m to £7.5m	£7.5m to £14m	£14m to £30m	£30m or greater
	Annual Fee	£1,000	£1,020	£2,680		£2,922	£3,333	£9,770	£19,193	£36,383
FEC annual fees from April 2017		A1	A2	A3	B1	B2	B3	C1	D1	E1
	GGY	Less than £200,000	£200,000 to £750,000	£750,000 to £1.25m	£1.25m to £2m	£2m to £4m	£4m to £7.5m	£7.5m to £14m	£14m to £30m	£30m or greater
	Annual Fee	£1,000	£1,020	£1,675	£2,680	£2,922	£3,333	£9,770	£19,193	£36,383

### Annual fees for remote general betting (standard) (real events) (host only) operating licences

Remote general betting (standard) (real events host only)	GGY	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £15m	£15m to £55m	£55m to £110m	£110m to £220m	£220m to £550m	£550m to £1bn	£371,142 plus £100,000 for every £500m of GGY above £1bn GGY
	Annual Fee	£2,556	£6,500	£7,517	£24,839	£35,015	£56,420	£103,090	£210,794	£371,142	

### Annual fees for remote general betting (standard) (virtual events) (host only) operating licences

Remote general betting (standard) (virtual events host only)	GGY	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £25m	£25m to £100m	£100m to £250m	£250m to £550m	£550m to £1bn	£289,652 plus £100,000 for every £500m of GGY above £1bn GGY
	Annual Fee	£2,027	£4,855	£7,094	£9,958	£26,595	£50,993	£102,108	£289,652	



## Appendix B – List of respondents

1. Association of British Bookmakers
2. Betfred
3. Betway
4. Bingo Association
5. Blueprint Gaming Limited
6. British Amusement Caterers Trade Association (BACTA)
7. Carlton Bingo
8. Castle Leisure Limited
9. ESSA Sports Betting Integrity
10. Federation of Racecourse Bookmakers
11. Fraser Capital Management Limited
12. Gala Coral Group
13. Gambling Business Group
14. Ladbrokes
15. Metric Gaming
16. National Casino Forum
17. NetEnt group of companies
18. Novomatic UK Group
19. Opera House Casino
20. People's Postcode Lottery
21. Racecourse Promoters Association
22. Rank Group (Grosvenor Casinos and Mecca Bingo)
23. Realistic Games
24. Remote Gambling Association
25. Shipley Brothers Limited
26. Sports Betting Group/Sports and Recreation Alliance
27. Talarius Limited

In addition, nine responses were received from individuals.

## Appendix C – Non-remote annual fees from April 2017

Licence Type	Unit/annual fee																		
Casino 2005	GGY	Less than £5.5m	£5.5m to £27.5m	£27.5m to £110m	£110m to £200m	£200m to £300m	£300m to £400m	£452,837 plus £120,000 for every £150m of GGY above £400m GGY											
	Annual Fee	£21,714	£34,440	£105,110	£194,256	£352,026	£452,837												
Casino 1968	GGY	Less than £5.5m	£5.5m to £27.5m	£27.5m to £110m	£110m to £200m	£200m to £300m	£300m to £400m	£400,586 plus £100,000 for every £150m of GGY above £400m GGY											
	Annual Fee	£16,714	£22,440	£71,943	£167,256	£324,704	£400,586												
General Betting Standard	GGY	Less than £200,000	£200,000 to £750,000	£750,000 to £1.25m	£1.25m to £2m	£2m to £4m	£4m to £7.5m	£7.5m to £14m	£14m to £30m	£30m to £125m	£125m to £325m	£325m to £550m	£550m to £750m	£750m to £1bn	£1bn to £1.25bn	£1.25bn to £1.5bn	£1.5bn to £1.75bn	£678,270 plus £100,000 for every £250m of GGY above £1.75bn GGY	
	Annual Fee	£1,324	£1,477	£2,498	£3,637	£4,300	£5,422	£12,758	£30,200	£46,633	£106,873	£193,573	£280,308	£372,145	£474,187	£576,228	£678,270		
General Betting Standard (No Gaming Machines)	GGY	Less than £200,000	£200,000 to £750,000	£750,000 to £1.25m	£1.25m to £2m	£2m to £4m	£4m to £7.5m	£7.5m to £14m											
	Annual Fee	£1,224	£1,377	£2,398	£3,537	£4,200	£5,322	£12,658											
Bingo	GGY	Less than £200,000	£200,000 to £750,000	£750,000 to £1.25m	£1.25m to £2m	£2m to £4m	£4m to £7.5m	£7.5m to £14m	£14m to £30m	£30m to £125m	£125m to £225m	£225m to £325m	£76,327 plus £30,000 for every £200m of GGY above £325m GGY						
	Annual Fee	£1,322	£1,378	£2,050	£3,055	£3,297	£3,708	£10,464	£23,395	£41,080	£61,252	£76,327							
AGC	GGY	Less than £200,000	£200,000 to £750,000	£750,000 to £1.25m	£1.25m to £2m	£2m to £4m	£4m to £7.5m	£7.5m to £14m	£14m to £30m	£30m to £125m	£125m to £225m	£225m to £325m	£75,327 plus £25,000 for every £200m of GGY above £325m GGY						
	Annual Fee	£1,314	£1,370	£2,000	£3,030	£3,247	£3,658	£10,314	£23,095	£40,080	£60,252	£75,327							
FEC	GGY	Less than £200,000	£200,000 to £750,000	£750,000 to £1.25m	£1.25m to £2m	£2m to £4m	£4m to £7.5m	£7.5m to £14m	£14m to £30m	£30m or greater									
	Annual Fee	£1,000	£1,020	£1,675	£2,680	£2,922	£3,333	£9,770	£19,193	£36,383									

Pool Betting	GGY	Less than £550,000	£550,000 to £2.5m	£2.50m to £5.5m	£5.5m to £10m	£10m or greater
	Annual Fee	£1,910	£2,633	£4,106	£6,265	£13,054
General Betting Limited	Number of Days	1 to 75	76 to 199	200 to 365		
	Annual Fee	£200	£476	£1,346		
Betting Intermediary	GGY	Less than £5.5m	£5.5m to £110m	£110m or greater		
	Annual Fee	£280	£4,277	£4,338		
GMT Full	Gross Value of Sales	Less than £550,000	£550,000 to £6.6m	£6.6m to £26.4m	£26.4m to £50m	£50m or greater
	Annual Fee	£2,722	£5,152	£14,039	£25,927	£39,239
GMT Supplier	Gross Value of Sales	Less than £550,000	£550,000 to £6.6m	£6.6m to £26.4m	£26.4m to £50m	£50m or greater
	Annual Fee	£1,186	£3,034	£4,406	£9,507	£15,554
GMT Software	Gross Value of Sales	Less than £550,000	£550,000 to £6.6m	£6.6m to £26.4m	£26.4m to £50m	£50m or greater
	Annual Fee	£1,528	£3,876	£6,351	£14,703	£24,057
Gambling Software	Gross Value of Sales	Less than £550,000	£550,000 to £6.6m	£6.6m to £26.4m	£26.4m to £50m	£50m or greater
	Annual Fee	£1,528	£3,876	£6,351	£14,703	£24,057
ELM	Annual Proceeds	Less than £550,000	£550,000 to £2.5m	£2.5m to £5.5m	£5.5m to £10m	£10m or greater
	Annual Fee	£2,075	£2,368	£4,044	£6,675	£15,813
Society Lotteries	Annual Proceeds	Less than £100,000	£100,000 to £500,000	£500,000 or greater		
	Annual Fee	£348	£692	£1,458		

## Appendix D – Remote annual fees from April 2017

Casino	GGY	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £25m	£25m to £100m	£100m to £250m	£250m to £550m	£550 to £1bn	£387,083 plus £125,000 for every £500m of GGY above £1bn GGY			
	Annual fee	£2,709	£6,488	£9,480	£13,307	£35,541	£68,146	£136,455	£387,083				
Bingo	GGY	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £25m	£25m to £100m	£100m to £250m	£250m to £550m	£550 to £1bn		£387,083 plus £125,000 for every £500m of GGY above £1bn GGY		
	Annual fee	£2,709	£6,488	£9,480	£13,307	£35,541	£68,146	£136,455	£387,083				
General Betting Standard (Virtual Events)	GGY	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £25m	£25m to £100m	£100m to £250m	£250m to £550m	£550 to £1bn			£387,083 plus £125,000 for every £500m of GGY above £1bn GGY	
	Annual fee	£2,709	£6,488	£9,480	£13,307	£35,541	£68,146	£136,455	£387,083				
Game host (casino)	GGY	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £25m	£25m to £100m	£100m to £250m	£250m to £550m	£550 to £1bn	£289,652 plus £100,000 for every £500m of GGY above £1bn GGY			
	Annual fee	£2,027	£4,855	£7,094	£9,958	£26,595	£50,993	£102,108	£289,652				
Game host (bingo)	GGY	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £25m	£25m to £100m	£100m to £250m	£250m to £550m	£550 to £1bn		£289,652 plus £100,000 for every £500m of GGY above £1bn GGY		
	Annual fee	£2,027	£4,855	£7,094	£9,958	£26,595	£50,993	£102,108	£289,652				
Betting Host (virtual events only)	GGY	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £25m	£25m to £100m	£100m to £250m	£250m to £550m	£550 to £1bn			£289,652 plus £100,000 for every £500m of GGY above £1bn GGY	
	Annual fee	£2,027	£4,855	£7,094	£9,958	£26,595	£50,993	£102,108	£289,652				
General Betting Standard (Real Events)	GGY	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £15m	£15m to £55m	£55m to £110m	£110 to £220m	£220m to £550m	£550m to £1bn			£494,856 plus £200,000 for every £500m of GGY above £1bn GGY
	Annual fee	£3,408	£8,666	£10,023	£33,119	£46,687	£75,227	£137,453	£281,058	£494,856			
Betting Host (real events only)	GGY	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £15m	£15m to £55m	£55m to £110m	£110 to £220m	£220m to £550m	£550m to £1bn	£371,142 plus £100,000 for every £500m of GGY above £1bn GGY		
	Annual fee	£2,556	£6,500	£7,517	£24,839	£35,015	£56,420	£103,090	£210,794	£371,142			

General Betting Standard (Remote Platform)	Annual Fee	£280										
General Betting Limited	GGY	Less than £550,000										
	Annual fee	£1,462										
Pool Betting	GGY	Less than £1.5m	£1.5m to £3m	£3m to £7.5m	£7.5m to £15m	£15m to £55m	£55m to £110m	£110m to £220m	£220m to £550m	£550m to £1bn	£435,698 plus £150,000 for every £500m of GGY above £1bn GGY	
	Annual fee	£1,552	£10,357	£12,293	£22,436	£37,766	£58,252	£106,504	£248,509	£435,698		
Betting Intermediary	GGY	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £15m	£15m to £55m	£55m to £110m	£110 to £220m	£220m to £550m	£550m to £1bn	£494,856 plus £200,000 for every £500m of GGY above £1bn GGY	
	Annual fee	£3,408	£8,666	£10,023	£33,119	£46,687	£75,227	£137,453	£281,058	£494,856		
Betting Intermediary (trading rooms only)	GGY	Less than £550,000	£550,000 to £6.6m	£6.6m to £26.39m								
	Annual fee	£1,594	£6,765	£19,063								
Gaming Machine Technical Full	Gross Value of Sales	Less than £550,000	£550,000 to £6.6m	£6.6m to £30m	£30m or greater							
	Annual fee	£6,426	£18,866	£34,295	£53,587							
Gaming Machine Technical Supplier	Gross Value of Sales	Less than £550,000	£550,000 to £6.6m	£6.6m or greater								
	Annual fee	£5,360	£16,801	£28,449								

Gaming Machine Technical Software	Gross Value of Sales	Less than £200,000	£200,000 to £550,000	£550,000 to £6.6m	£6.6m to £30m	£30m or greater
	Annual fee	£3,748	£5,798	£17,803	£28,867	£49,219
Gambling Software	Gross Value of Sales	Less than £200,000	£200,000 to £550,000	£550,000 to £6.6m	£6.6m to £30m	£30m or greater
	Annual fee	£3,748	£5,798	£17,803	£28,867	£49,219
ELM	Annual Proceeds	Less than £550,000	£550,000 to £2.5m	£2.5m to £5.5m	£5.5m to £10m	£10m or greater
	Annual Fee	£6,765	£19,063	£24,372	£37,006	£48,893
Society Lotteries	Annual Proceeds	Less than £100,000	£100,000 to £500,000	£500,000 or greater		
	Annual Fee	£348	£692	£1,458		

## Appendix E – Non-remote application fees from April 2017

Licence Type	Unit/Application fee																		
Casino 2005	GGY	Less than £5.5m	£5.5m to £27.5m	£27.5m to £110m	£110m to £200m	£200m to £300m	£300m to £400m	£33,832 application fee for any GGY above £400m											
	Application Fee	£25,777	£25,777	£33,832	£33,832	£33,832	£33,832												
Casino 1968	GGY	Less than £5.5m	£5.5m to £27.5m	£27.5m to £110m	£110m to £200m	£200m to £300m	£300m to £400m	£17,575 application fee for any GGY above £400m											
	Application Fee	£5,858	£8,706	£17,575	£17,575	£17,575	£17,575												
General Betting Standard	GGY	Less than £200,000	£200,000 to £750,000	£750,000 to £1.25m	£1.25m to £2m	£2m to £4m	£4m to £7.5m	£7.5m to £14m	£14m to £30m	£30m to £125m	£125m to £325m	£325m to £550m	£550m to £750m	£750m to £1bn	£1bn to £1.25bn	£1.25bn to £1.5bn	£1.5bn to £1.75bn	£36,029 application fee for any GGY above £1.75bn	
	Application Fee	£879	£879	£879	£879	£879	£879	£3,075	£15,378	£17,178	£19,878	£27,929	£36,029	£36,029	£36,029	£36,029	£36,029		
General Betting Standard (No Gaming Machines)	GGY	Less than £200,000	£200,000 to £750,000	£750,000 to £1.25m	£1.25m to £2m	£2m to £4m	£4m to £7.5m	£7.5m to £14m											
	Application Fee	£879	£879	£879	£879	£879	£879	£3,075											
Bingo	GGY	Less than £200,000	£200,000 to £750,000	£750,000 to £1.25m	£1.25m to £2m	£2m to £4m	£4m to £7.5m	£7.5m to £14m	£14m to £30m	£30m to £125m	£125m to £225m	£225m to £325m	£18,454 application fee for any GGY above £325m						
	Application Fee	£879	£879	£1,464	£1,464	£1,464	£1,464	£2,930	£15,378	£18,454	£18,454	£18,454							
AGC	GGY	Less than £200,000	£200,000 to £750,000	£750,000 to £1.25m	£1.25m to £2m	£2m to £4m	£4m to £7.5m	£7.5m to £14m	£14m to £30m	£30m to £125m	£125m to £225m	£225m to £325m	£14,647 application fee for any GGY above £325m						
	Application Fee	£879	£879	£879	£879	£879	£879	£1,464	£4,394	£14,647	£14,647	£14,647							
FEC	GGY	Less than £200,000	£200,000 to £750,000	£750,000 to £1.25m	£1.25m to £2m	£2m to £4m	£4m to £7.5m	£7.5m to £14m	£14m to £30m	£30m or greater									
	Application Fee	£879	£879	£879	£879	£879	£879	£1,464	£4,394	£14,647									

Pool Betting	GGY	Less than £550,000	£550,000 to £2.5m	£2.50m to £5.5m	£5.5m to £10m	£10m or greater
	Application Fee	£586	£879	£1,147	£1,464	£4,394
General Betting Limited	Number of Days	1 to 75	76 to 199	200 to 365		
	Application Fee	£160	£320	£881		
Betting Intermediary	GGY	Less than £5.5m	£5.5m to £110m	£110m or greater		
	Application Fee	£178	£178	£178		
GMT Full	Gross Value of Sales	Less than £550,000	£550,000 to £6.6m	£6.6m to £26.4m	£26.4m to £50m	£50m or greater
	Application Fee	£879	£1,464	£14,647	£14,647	£14,647
GMT Supplier	Gross Value of Sales	Less than £550,000	£550,000 to £6.6m	£6.6m to £26.4m	£26.4m to £50m	£50m or greater
	Application Fee	£879	£1,464	£4,934	£4,934	£4,934
GMT Software	Gross Value of Sales	Less than £550,000	£550,000 to £6.6m	£6.6m to £26.4m	£26.4m to £50m	£50m or greater
	Application Fee	£879	£1,464	£14,647	£14,647	£14,647
Gambling Software	Gross Value of Sales	Less than £550,000	£550,000 to £6.6m	£6.6m to £26.4m	£26.4m to £50m	£50m or greater
	Application Fee	£879	£1,464	£14,647	£14,647	£14,647
ELM	Application Proceeds	Less than £550,000	£550,000 to £2.5m	£2.5m to £5.5m	£5.5m to £10m	£10m or greater
	Application Fee	£879	£1,464	£1,690	£2,050	£2,274
Society Lotteries	Application Proceeds	Less than £100,000	£100,000 to £500,000	£500,000 or greater		
	Application Fee	£147	£220	£293		



## Appendix F – Remote application fees from April 2017

Casino 2005	GGY	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £25m	£25m to £100m	£100m to £250m	£250m to £550m	£550 to £1bn	£57,304 application fee for any GGY above £1bn			
	Application fee	£2,640	£6,452	£6,452	£10,147	£14,896	£23,977	£33,832	£57,304				
Bingo	GGY	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £25m	£25m to £100m	£100m to £250m	£250m to £550m	£550 to £1bn		£57,304 application fee for any GGY above £1bn		
	Application fee	£2,640	£6,452	£6,452	£10,147	£14,896	£23,977	£33,832	£57,304				
General Betting Standard (Virtual Events)	GGY	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £25m	£25m to £100m	£100m to £250m	£250m to £550m	£550 to £1bn			£57,304 application fee for any GGY above £1bn	
	Application fee	£2,640	£6,452	£6,452	£10,147	£14,896	£23,977	£33,832	£57,304				
Game host (casino)	GGY	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £25m	£25m to £100m	£100m to £250m	£250m to £550m	£550 to £1bn	£42,978 application fee for any GGY above £1bn			
	Application fee	£1,980	£4,839	£4,839	£7,610	£11,172	£17,983	£25,374	£42,978				
Game host (bingo)	GGY	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £25m	£25m to £100m	£100m to £250m	£250m to £550m	£550 to £1bn		£42,978 application fee for any GGY above £1bn		
	Application fee	£1,980	£4,839	£4,839	£7,610	£11,172	£17,983	£25,374	£42,978				
Betting Host (virtual events only)	GGY	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £25m	£25m to £100m	£100m to £250m	£250m to £550m	£550 to £1bn			£42,978 application fee for any GGY above £1bn	
	Application fee	£1,980	£4,839	£4,839	£7,610	£11,172	£17,983	£25,374	£42,978				
General Betting Standard (Real Events)	GGY	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £15m	£15m to £55m	£55m to £110m	£110 to £220m	£220m to £550m	£550m to £1bn			£25,777 application fee for any GGY above £1bn
	Application fee	£2,933	£2,933	£2,933	£6,452	£6,452	£8,527	£14,647	£17,596	£25,777			
Betting Host (real events only)	GGY	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £15m	£15m to £55m	£55m to £110m	£110 to £220m	£220m to £550m	£550m to £1bn	£19,333 application fee for any GGY above £1bn		
	Application fee	£2,200	£2,200	£2,200	£4,839	£4,839	£6,395	£10,985	£13,197	£19,333			

General Betting Standard (Remote Platform)	Application Fee	£178										
General Betting Limited	GGY	Less than £550,000										
	Application fee	£534										
Pool Betting	GGY	Less than £1.5m	£1.5m to £3m	£3m to £7.5m	£7.5m to £15m	£15m to £55m	£55m to £110m	£110m to £220m	£220m to £550m	£550m to £1bn	£4,394 application fee for any GGY above £1bn	
	Application fee	£586	£884	£884	£1,464	£1,464	£1,824	£4,394	£4,394	£4,394		
Betting Intermediary	GGY	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £15m	£15m to £55m	£55m to £110m	£110 to £220m	£220m to £550m	£550m to £1bn	£25,777 application fee for any GGY above £1bn	
	Application fee	£5,711	£5,711	£5,711	£11,716	£11,716	£13,306	£14,647	£17,596	£25,777		
Betting Intermediary (trading rooms only)	GGY	Less than £550,000	£550,000 to £6.6m	£6.6m to £26.39m								
	Application fee	£534	£879	£1,464								
Gaming Machine Technical Full	Gross Value of Sales	Less than £550,00	£550,000 to £6.6m	£6.6m to £30m	£30m and above							
	Application fee	£879	£1,464	£14,647	£14,647							
Gaming Machine Technical Supplier	Gross Value of Sales	Less than £550,00	£550,000 to £6.6m	£6.6m and above								
	Application fee	£879	£1,464	£14,647								

Gaming Machine Technical Software	Gross Value of Sales	Less than £200,000	£200,000 to £550,000	£550,000 to £6.6m	£6.6m to £30m	£30m and above
	Application fee	£879	£879	£1,464	£14,647	£14,647
Gambling Software	Gross Value of Sales	Less than £200,000	£200,000 to £550,000	£550,000 to £6.6m	£6.6m to £30m	£30m and above
	Application fee	£5,711	£5,711	£11,716	£14,647	£14,647
ELM	Application Proceeds	Less than £550,000	£550,000 to £2.5m	£2.5m to £5.5m	£5.5m to £10m	£10m and above
	Application Fee	£879	£1,464	£1,691	£2,050	£2,217
Society Lotteries	Application Proceeds	Less than £100,000	£100,000 to £500,000	£500,000 or greater		
	Application Fee	£147	£220	£293		

## Appendix G – Gambling Commission’s Licence Conditions and Codes of Practice that will apply to new types of remote licence from April 2016

1. Section 24 of the Gambling Act requires the Commission to issue codes of practice about the manner in which facilities for gambling are provided. Section 75 of the Act also enables the Commission to specify general conditions to be attached to an operating licence or certain classes of operating licence.
2. The consultation proposed the introduction of new types of remote operating licences; the game host (casino) and game host (bingo) licences. These licences, and the fees payable for them, will be given effect by regulations made by the Secretary of State and laid before Parliament. The Commission also consulted on the appropriate LCCP that would be attached to these new licences, and a number of respondents provided comments. These are summarised below, along with the Commission’s response in turn.
3. The consultation had proposed only the introduction of those game host licences but, having considered the consultation responses received, host licences for **betting on real events** and, separately, **betting on virtual events** will also be introduced. The Commission is satisfied that the LCCP applicable to a game host (casino) or (bingo) operating licence, upon which stakeholders have been consulted, will also be applicable to the new betting host licences. There will however be a handful of exceptions, where codes are only relevant for the former (gaming licences) and others only relevant to betting licences. As such, the table below summarises, for each particular condition or code, whether or not it will apply to:
  - The new game host (casino) operating licence;
  - The new game host (bingo) operating licence;
  - The new betting host (general betting (standard) real events) operating licence;
  - The new betting host (general betting (standard) virtual events) operating licence

### Consultation responses to the proposed LCCP for host licences

4. Respondents agreed with the application of most of the LCCP that the Commission had proposed in the consultation document. However, some respondents disagreed with the application of certain conditions and codes, and these are listed below. Having considered those responses, the Commission’s position in respect of each condition or code is highlighted in bold.
  - **Condition 7.1.1 – compliance with terms (consumer rights).** One respondent stated that B2Bs do not offer their own terms and conditions and that these are the preserve of B2Cs. However, the Commission is aware that some game hosts mandate the use of their own terms and conditions in respect of their own game products, and as part of their arrangements with the B2C operator. **The Commission will therefore apply this code to hosts.**
  - **Condition 8.1.1 – display of licensed status.** The Commission notes the points raised by respondents that the B2C will have proprietary responsibility for the customer-facing website. Condition 8.1.1 will therefore apply to B2C licences (*all remote casino, bingo and betting licences other than game host and betting host licences, ancillary licences and remote betting intermediary trading room only licences*). **Condition 8.1.2 will apply to hosts** by virtue of the specific condition on

all host licences that the holder must also hold a gambling software operating licence.

- **Condition 12.1.1 – Anti-money laundering – prevention of money laundering and terrorist financing.** This condition had originally been subject to a consultation held by the Commission in the autumn of 2015 and it applied to “all operating licences except gaming machine technical and a gambling software licences” from 31 October 2016. As such, the condition applies to game hosts as of 31 October because they are currently required to hold a remote casino or bingo licences. The Commission has considered this condition and the comments made by respondents on B2B’s duties in respect of anti-money laundering, and **will continue to apply this condition to game hosts and betting hosts.** Even though a B2C operator must have the primary duty for such risks in respect of its business and its customers, a host would be expected to assess and monitor the risks of its own products being used for money laundering. A host’s risk assessment in respect of its own business being used for money laundering might be largely dependent on the controls put in place by the B2C operators it does business with, but the host will need to be satisfied as to the extent of the risks and the quality of the controls in place.
- **Condition 12.1.2 – anti-money laundering – measures for casino operators based in foreign jurisdictions.** This condition relates to compliance with Parts 2 and 3 of the Money Laundering Regulations, as amended, for remote casino operators where any of their remote gambling equipment is located outside Britain. This code will apply to operators who host casino games as of 31 October 2016, by virtue of their currently holding a remote casino operating licence. The new Game Host (Casino) licence will be a subset of the Casino Operating Licence given effect by section 65 of the Gambling Act, and while the primary duties in this area will, in practice, fall to B2C casino operators (e.g. in respect of customer due diligence and enhanced due diligence), **the Commission will continue to apply this condition to game host (casino) operators** in respect of their duties under Money Laundering Regulations.
- **Condition 16.1.1 – responsible placement of digital adverts.** This condition had originally been subject to a consultation held by the Commission in the spring of 2016 and it applied to all licensees from 31 October 2016. It requires operators to take responsibility for preventing digital adverts advertising their brand from appearing on websites providing unauthorised access to copyrighted content; and for licensees to take all reasonable steps to ensure that third parties with whom they contract deliver that responsibility. The condition also covers contract terms with third parties in respect of the above. Parts b) and c) of this condition are applicable to all hosts, and, as some B2Bs also run consumer-facing advertising, **it is necessary that condition 16.1.1 applies to all host operators.**
- **Ordinary Code Provision 2.1.1 – anti-money laundering (all non-remote and remote casinos).** Consistent with the application of Conditions 12.1.1 and 12.1.2 to game host (casino) operators, this ordinary code in respect of the Commission’s guidance on anti-money laundering **will apply to game host (casino) operators.**
- **Ordinary Code Provision 2.1.2 – anti-money laundering (all licences except casino licences).** Consistent with the application of Condition 12.1.1 above, this ordinary code in respect of the Commission’s advice on the Proceeds of Crime Act 2002 **will apply to game host (bingo) and betting host operators.**

- **Social responsibility code provision 3.3.1 – responsible gambling information.** The Commission has reconsidered this code provision in view of consultation responses and is satisfied that it should **apply only to B2C operators**, given their responsibility to make information readily available to their own customers. Paragraph 2 of this code provision outlines that socially responsible gambling information must cover facilities to monitor time and money spend, reality checks and self-exclusion options. On the basis that the codes relating specifically to the provision of time outs and self-exclusion would be applied only to B2C operators rather than hosts (social responsibility code provisions 3.3.4 and 3.4.1 respectively), as per the proposals in the consultation document, it is consistent for code 3.3.1 to also apply only to B2C operators. Please note that the new **Condition 3.1.3** (restated below) would still require hosts to have arrangements in place to work with B2C operators, so that both parties can discharge their duties in respect of problem gambling.
- **Social responsibility code provision 3.9.1 – identification of individual customers.** Several consultation respondents were of the view that this responsibility should rest with the B2C operator, as hosts are reliant on the B2C for providing customer information to them in order to reconcile different accounts. The Commission has reviewed the application of this code and agrees that the responsibility for identification of individual customers **must rest with the B2C** operator, and that primary responsibility cannot be deferred to a third party. While code provision 3.9.1 will not apply to hosts, **Condition 3.1.3** will require hosts to put in place arrangements for sharing information and for cooperating with B2C operators in order to discharge respective obligations.
- **Social responsibility code provision 5.1.1 and ordinary code provision 5.1.2 – rewards and bonuses.** As some hosts are involved in the provision of incentive or reward schemes in respect of the gambling facilities they provide, **these codes will apply to all hosts.**
- **Social responsibility code provision 6.1.1 - complaints and disputes.** Condition 3.1.3 is clear that the arrangements between a host and a B2C must provide in clear terms which operator is to be responsible for the handling of which categories of customer complaint and dispute. As hosts may be responsible for the handling of complaints and disputes, **code provision 6.1.1 must be applied to all hosts.**

#### **Summary of LCCP that will apply to host operating licences from April 2017 when host licences take effect**

5. In the table below, the relevant Licence Condition, Social Responsibility Code Provision, or Ordinary Code Provision is summarised in the first column. The second column states whether that code already applies to the 'full' i.e. B2C remote casino or remote bingo operating licence, and the fourth column whether that code already applies to the 'full' i.e. B2C remote general betting (standard) real event or virtual events licences. The third, fifth, and sixth columns state whether or not the Commission will apply that relevant code to the new host licence in question, having considered the responses to the consultation.
6. The Commission also welcomed comments on the proposed new condition 3.1.3 which would apply only to holders of the new game host licences. The Commission will introduce this condition as proposed, and will also apply this code to the new betting host licences. The wording of this condition is similar to that of the existing condition 3.1.2 (for network operators other than peer-to-peer networks) but with the

key difference that condition 3.1.3 would apply to B2Bs that provide facilities for gambling but which do not contract with **any** participant. This is in contrast to condition 3.1.2 (peer to peer network provision) which will continue to apply to those businesses that, for example, operate in both B2B and B2C contexts and the condition applies in circumstances where they do not contract with **all** participants.

### **Licence Condition 3.1.3**

#### **Hosts**

#### **Remote game host and betting host operating licences**

- 1** *Subject to 2 below, all licensees who provide facilities for gambling in circumstances in which they do not contract directly with any of the participants using those facilities ('hosts') must 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 holder of a Gambling Commission remote casino, bingo, betting host (real events) or betting host (virtual events) operating licence ('a relevant licence');*
  - b** *the arrangements between the host 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 host's arrangements for the sharing of information both with any holder of a relevant licence and with 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 2002,*
    - 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 (e.g. the National Bingo Game).*

Licence Condition, Social Responsibility (SR) Code Provision or Ordinary Code Provision (OCP)	Applies to current 'full' (B2C) Remote Casino and/or Bingo operating licence	Application of this condition or code to the new game host (casino) or game host (bingo) licences	Applies to current 'full' (B2C) real event betting operator or B2C virtual event betting operator	Application of this condition or code to the new virtual event betting host licence	Application of this condition or code to the new real event betting host licence
Condition 1.1.1 – qualified persons and qualifying positions	Yes	Yes	Yes	Yes	Yes
Condition 1.2.1 – PMLs	Yes	Yes	Yes	Yes	Yes
Condition 2.1.1 – location of key equipment	Yes	Yes	Yes	Yes	Yes
Condition 2.1.2 – access to key equipment	Yes	Yes	Yes	Yes	Yes
Condition 2.2.1 – gambling software	Yes	Yes	Yes	Yes	Yes
Condition 2.3.1 – compliance with technical standards and timing and procedures for testing	Yes	Yes	Yes	Yes	Yes
Condition 3.1.1 – peer to peer gaming (remote casino licences only)	Will continue to apply to those operators that provide peer to peer gaming (such as poker networks) and such operators will continue to require the 'full' remote casino licence.	No – peer to peer network operators will continue to hold the full remote casino licence and would not be able to hold the game host (casino) licence.	N/A	N/A	N/A



<b>Licence Condition, Social Responsibility (SR) Code Provision or Ordinary Code Provision (OCP)</b>	Applies to <b>current 'full' (B2C) Remote Casino and/or Bingo</b> operating licence	Application of this condition or code to the new <b>game host (casino) or game host (bingo)</b> licences	Applies to current 'full' <b>(B2C) real event betting</b> operator or <b>B2C virtual event betting</b> operator	Application of this condition or code to the new <b>virtual event betting host</b> licence	Application of this condition or code to the new <b>real event betting host</b> licence
Condition 3.1.2 – other network operators <i>“All licensees who provide facilities for gambling, other than peer to peer gaming, in circumstances in which they do not contract directly with <b>all</b> of the participants using those facilities ('network operators') ....”</i>	Will continue to apply to those operators that, for example, operate in <b>both</b> B2B and B2C spheres and do not contract with <b>all</b> customers.	No – new condition 3.1.3 will apply instead to game hosts as they cannot contract with <b>any</b> customer.	This code will apply to betting operators that, for example, operate in <b>both</b> B2B and B2C spheres and do not contract with <b>all</b> customers.	No – condition 3.1.3 will apply instead to betting hosts as they cannot contract with <b>any</b> customer.	No – condition 3.1.3 will apply instead to betting hosts as they cannot contract with <b>any</b> customer.
New proposed Condition 3.1.3 – hosts only <i>“All licensees who provide facilities for gambling in circumstances in which they do not contract directly with <b>any</b> of the participants using those facilities....”</i>	No	Yes	No	Yes	Yes
Condition 4.1.1 - segregation of funds	Yes	No – as the host does not contract with any customer, no customer funds should be held by them.	Yes	No – as the host does not contract with any customer, no customer funds should be held by them.	No – as the host does not contract with any customer, no customer funds should be held by them.
Condition 4.2.1 – disclosure to customers	Yes	No – customer funds not held by host.	Yes	No – customer funds not held by host.	No – customer funds not held by host.
Condition 5.1.1. Cash and cash equivalents	Yes	No – handling of debit cards restricted to B2C	Yes	No – handling of debit cards restricted to B2C	No – handling of debit cards restricted to B2C

<b>Licence Condition, Social Responsibility (SR) Code Provision or Ordinary Code Provision (OCP)</b>	<b>Applies to current 'full' (B2C) Remote Casino and/or Bingo operating licence</b>	<b>Application of this condition or code to the new <b>game host (casino) or game host (bingo)</b> licences</b>	<b>Applies to current 'full' (B2C) real event betting operator or B2C virtual event betting operator</b>	<b>Application of this condition or code to the new <b>virtual event betting host</b> licence</b>	<b>Application of this condition or code to the new <b>real event betting host</b> licence</b>
Condition 5.1.2 – payment services	Yes	No – payment methods would relate to payments to B2C customer's account only	Yes	No – payment methods would relate to payments to B2C customer's account only	No – payment methods would relate to payments to B2C customer's account only
Condition 7.1.1 – compliance with terms and conditions (consumer rights)	Yes	Yes	Yes	Yes	Yes
Condition 8.1.1 – display of licensed status	Yes	No	Yes	No	No
Condition 8.1.2 – display of licensed status (B2Bs)	No	Yes	No	Yes	Yes
Condition 12.1.1 – AML risk assessment	Yes	Yes	Yes	Yes	Yes
Condition 12.1.2 – compliance with ML Regulations	Yes (overseas remote casinos only)	Yes	N/A	N/A	N/A
Condition 14.1.1 – access to premises (includes all remote)	Yes	Yes	Yes	Yes	Yes
Condition 15.1.1 - reporting suspicion of offences (non-betting licences)	Yes	Yes	N/A	N/A	N/A
Condition 15.1.2 - reporting suspicion of offences (betting licences)	N/A	N/A	Yes	Yes	Yes
Condition 15.2.1 – key events	Yes	Yes	Yes	Yes	Yes
Condition 15.2.2 – other reportable events	Yes	Yes	Yes	Yes	Yes

<b>Licence Condition, Social Responsibility (SR) Code Provision or Ordinary Code Provision (OCP)</b>	<b>Applies to current 'full' (B2C) Remote Casino and/or Bingo operating licence</b>	<b>Application of this condition or code to the new <b>game host (casino) or game host (bingo)</b> licences</b>	<b>Applies to current 'full' (B2C) real event betting operator or B2C virtual event betting operator</b>	<b>Application of this condition or code to the new <b>virtual event betting host</b> licence</b>	<b>Application of this condition or code to the new <b>real event betting host</b> licence</b>
Condition 15.3.1. – regulatory returns	Yes	Yes	Yes	Yes	Yes
Condition 16.1.1 – digital adverts	Yes	Yes	Yes	Yes	Yes
OCP 1.1.1 – cooperation with the GC	Yes	Yes	Yes	Yes	Yes
SR Code 1.1.2 – responsibility for third parties	Yes	Yes	Yes	Yes	Yes
SR Code 1.1.3 – responsibility for third parties	Yes	Yes	Yes	Yes	Yes
OCP 2.1.1 – AML guidance (all non-remote and remote casinos)	Yes (for remote casino only)	Yes (for game host (casino) only)	N/A	N/A	N/A
OCP 2.1.2 POCA guidance that applies to all licences except casino licences	Yes (for remote bingo only)	Yes (for game host (bingo) only)	Yes	Yes	Yes
SR Code 3.1.1 – problem gambling	Yes	Yes	Yes	Yes	Yes
SR Code 3.2.11 and OCP 3.2.12 - access to gambling by children and young persons	Yes	No – the B2C would retain responsibility for verifying the age of its own customers	Yes	No – the B2C would retain responsibility for verifying the age of its own customers	No – the B2C would retain responsibility for verifying the age of its own customers

<b>Licence Condition, Social Responsibility (SR) Code Provision or Ordinary Code Provision (OCP)</b>	Applies to <b>current 'full' (B2C) Remote Casino and/or Bingo</b> operating licence	Application of this condition or code to the new <b>game host (casino) or game host (bingo)</b> licences	Applies to current 'full' <b>(B2C) real event betting</b> operator or <b>B2C virtual event betting</b> operator	Application of this condition or code to the new <b>virtual event betting host</b> licence	Application of this condition or code to the new <b>real event betting host</b> licence
SR Code 3.3.1 and OCP 3.3.2 responsible gambling information	Yes	No	Yes	No	No
SR Code 3.3.4 – time out facility for 24 hours, one week, one month, or other period up to 6 weeks	Yes	No – such facilities controlled centrally by the B2C for their own customers	Yes	No – such facilities controlled centrally by the B2C for their own customers	No – such facilities controlled centrally by the B2C for their own customers
SR Code 3.4.1 and OCP 3.4.2 - customer interaction	Yes	No – responsibility for interaction rests with B2C for its own customers, but, as per condition 3.1.3, the host will need to support the B2C by providing relevant information to the B2C on the customer's behaviour.	Yes	No – responsibility for interaction rests with B2C for its own customers, but, as per condition 3.1.3, the host will need to support the B2C by providing relevant information to the B2C on the customer's behaviour.	No – responsibility for interaction rests with B2C for its own customers, but, as per condition 3.1.3, the host will need to support the B2C by providing relevant information to the B2C on the customer's behaviour.
SR Code 3.5.3 and OCP 3.5.4 – self exclusion	Yes	No – exclusion managed by B2C only for its own customers	Yes	No – exclusion managed by B2C only for its own customers	No – exclusion managed by B2C only for its own customers
SR Code 3.5.5 – multi-operator self-exclusion	Yes	No	Yes	No	No

<b>Licence Condition, Social Responsibility (SR) Code Provision or Ordinary Code Provision (OCP)</b>	Applies to <b>current 'full' (B2C) Remote Casino and/or Bingo</b> operating licence	Application of this condition or code to the new <b>game host (casino) or game host (bingo)</b> licences	Applies to current 'full' <b>(B2C) real event betting</b> operator or <b>B2C virtual event betting</b> operator	Application of this condition or code to the new <b>virtual event betting host</b> licence	Application of this condition or code to the new <b>real event betting host</b> licence
OCP 3.6.7 – Employment of Children and Young People	Yes	Yes	Yes	Yes	Yes
SR Code 3.7.1 and 3.7.2 – credit card deposits and provision of credit	Yes	No – controlled by B2C only	Yes	No – controlled by B2C only	No – controlled by B2C only
SR Code 3.9.1 – identification of individual customers	Yes	No	Yes	No	No
SR Code 4.1.1 – Fair terms – demonstrate that terms are not unfair	Yes	Yes	Yes	Yes	Yes
SR Code 4.2.3 and OCP 4.2.4 – display of rules	Yes	Yes	Yes	Yes	Yes
SR Code 4.2.6 – Display of Rules (Betting only)	N/A	N/A	Yes	Yes	Yes
OCP 4.2.8 – betting integrity	N/A	N/A	Yes	Yes	Yes
SR Code 5.1.1 and OCP 5.1.2 – marketing, rewards and bonuses	Yes	Yes	Yes	Yes	Yes
OCP 5.1.6 – compliance with advertising codes	Yes	Yes	Yes	Yes	Yes
SR Code 5.1.7 and OCP 5.1.8 – marketing of offers	Yes	Yes	Yes	Yes	Yes

Licence Condition, Social Responsibility (SR) Code Provision or Ordinary Code Provision (OCP)	Applies to current 'full' (B2C) Remote Casino and/or Bingo operating licence	Application of this condition or code to the new game host (casino) or game host (bingo) licences	Applies to current 'full' (B2C) real event betting operator or B2C virtual event betting operator	Application of this condition or code to the new virtual event betting host licence	Application of this condition or code to the new real event betting host licence
SR Code 6.1.1 – complaints and disputes	Yes	Yes – the host will have a duty to participate in the resolution of customer complaints and disputes where they relate to the use of the host's products. Condition 3.1.3 relates.	Yes	Yes – the host will have a duty to participate in the resolution of customer complaints and disputes where they relate to the use of the host's products. Condition 3.1.3 relates.	Yes – the host will have a duty to participate in the resolution of customer complaints and disputes where they relate to the use of the host's products. Condition 3.1.3 relates.
SR Code 7.1.2 – responsible gambling info for staff	Yes	Yes	Yes	Yes	Yes
OCP 7.1.3 – gambling staff and irregular betting	N/A	N/A	Yes	Yes	Yes
OCP 8.1.1 – information requirements	Yes	Yes	Yes	Yes	Yes
OCP 8.1.2 – provision of information in respect of cheating (all betting)	N/A	N/A	Yes	Yes	Yes

### LCCP relating to underage gambling test purchasing

- The LCCP contains SR Code provisions that require betting, bingo and arcade operators in fee category C or higher to conduct test purchasing as a means of providing assurance to the Commission as to the effectiveness of their underage gambling policies and procedures. Operators in fee categories A and B are instead covered by Ordinary Code provisions which state that operators should “consider how they monitor the effectiveness of their policies for preventing underage gambling (for example by taking part in a collective test purchasing programme) and should be

able to explain to the Commissions or licensing authority what approach they have adopted". Licensees must comply with SR Codes which have the same status as licence conditions, while Ordinary Codes outline good practice.

8. The current fee categories are based on premises numbers (category C being 16 or more premises) but the fees review will change the basis of fee categories from premises to GGY. The Commission intends to retain the references in LCCP to "fee categories" without any amendment. Consequently, from April 2017 when the changes to fees come into effect, the SR Codes and Ordinary Codes will apply to operators on a GGY basis rather than on the number of premises they have.
9. The Commission expects this to have only a relatively small impact on existing licence holders. Based on current data, six operators will see their fee category increase from B to C as part of the move to GGY-based categories, and as a result the SR Code provision on test purchasing will apply to those operators from April 2017. Most of those operators already have test purchasing conducted as part of their trade association membership, and as such could comply with the code by continuing to participate in trade body initiatives.
10. Conversely, 10 operators will reduce from category C to B as a result of the move to GGY-based categories, and the Ordinary Code provision would therefore apply to them as of April 2017 rather than the SR Code provision. However, the test purchasing data already provided by these operators has been valuable to both them and the Commission in assessing the effectiveness of their controls, and a useful indicator to help drive improvements in policies and procedures. The Commission will be writing to all ten of those operators outlining its expectation that they continue to conduct test purchasing as a means of providing reasonable assurance as to the effectiveness of their controls and a basis for delivering further improvements, and that they continue to supply their results to the Commission. Again, the majority of those operators already have test purchasing conducted as part of their trade association membership, and so the impact on those businesses is expected to be minimal.



Department  
for Culture  
Media & Sport

4th Floor, 100 Parliament Street  
London SW1A 2BQ  
[www.gov.uk/dcms](http://www.gov.uk/dcms)