

Statement of Principles on Licensing and Regulation  
Consultation document



# Statement of Principles on Licensing and Regulation Consultation document

This document sets out the draft principles that the Gambling Commission will apply in exercising its functions under the Gambling Act 2005. It is issued in accordance with section 23 of the Act.

The Commission is committed to full and open consultation and would welcome feedback on this draft Statement of Principles.

Please send your comments to [consultation@gamblingcommission.gov.uk](mailto:consultation@gamblingcommission.gov.uk), or by post to:

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The consultation period will finish on Friday 27 January 2006.

Please see page 15 for further information on the consultation process.



# Introduction

This consultation document is divided into two parts.

**Part 1** discusses the high-level principles and values that will govern the manner in which the Gambling Commission approaches its work. This information will be contained in the Commission's Statement of Principles, which will serve as the main public statement of its approach to regulation.

Part 1 is drafted with the aim of standing the test of time. As the principles are necessarily at a high level, once they are agreed and published formally by the Commission we would not expect substantive changes as the result of a review unless there were a significant shift in the Commission's approach. We recognise that frequent changes in direction create regulatory uncertainty, and thus add to the regulatory burden on operators, and we will seek to avoid this.

**Part 2** discusses some procedural issues, details of which will need to be published by the Commission in due course. There are some provisions of the Act on which the Commission is required to comment. Decisions on many of these issues have yet to be made, but we considered that it would be helpful to flag them up in this document.

This part of the Statement of Principles is not yet complete, but is included here to illustrate the areas that will be covered. It will be developed further (and issued for consultation) before the Act comes fully into effect to take account of decisions that have yet to be made on detailed procedural issues.

This consultation document sets out the suggested text for the Statement, with an accompanying commentary outlined in blue which presents the Commission's thinking on particular issues. Comments are invited both generally and in response to specific questions highlighted in the text.

This document has been issued following the launch of the Commission on 1 October 2005. It will be revised in the light of comments and then issued formally in April 2006. Between then and the Gambling Act coming fully into effect in autumn 2007, it will be further revised and reissued for consultation in the light of developments during that period.

The Commission is also required to issue a statement under section 121 of the Act in relation to its powers to impose financial penalties on operators and personal licence holders. The draft of that statement will be issued for consultation separately before the end of this year.

# 1. Overview

This section of the consultation document deals with high-level principles. It will serve as the Commission's main public statement of its approach to regulation.

## Licensing objectives

### 1.1

The licensing objectives set by the Gambling Act 2005 are:

- to prevent gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime;
- to ensure that gambling is conducted in a fair and open way; and
- to protect children and other vulnerable persons from being harmed or exploited by gambling.

The Gambling Commission has an overriding duty to pursue and have regard to these objectives, and to permit gambling in so far as it thinks is reasonably consistent with them.

### 1.2

As the Gambling Review Body noted “a strong framework for regulation remains essential to keep gambling crime free”. In approaching the first objective to **prevent crime**, the Commission will maintain rigorous licensing procedures that aim to keep criminals out of providing facilities for gambling, or being associated with providing such facilities. The Act provides the Commission with powers to investigate the suitability of applicants for operating and personal licences, and others relevant to the application. This will provide the Commission with the power to make enquiries about and investigate those who are involved in the control of a company. In particular, the Commission will take a serious view of any offences involving dishonesty committed by applicants for licences and persons holding or relevant to operating or personal licences. In those circumstances there will be a presumption in favour of refusing an application or reviewing a licence, but each case will be considered on its merits.

### 1.3

In relation to the prevention, investigation and prosecution of crime associated with gambling, the Commission will give priority to tackling:

- crimes in which gambling is an intrinsic element, for example illegal gambling;
- financial crimes which operators should seek to prevent, such as money laundering, including offences under the Proceeds of Crime Act, and illegal money lending; and
- crimes which affect the outcome of gambling for other participants.

### 1.4

The Commission will work closely with local licensing authorities, other law enforcement agencies throughout Great Britain, and other regulators (such as the National Lottery Commission, Office of Fair Trading and Ofcom) to share information and, where appropriate, investigate offences. Although the Commission will focus on crimes within the Gambling Act, rather than those unrelated to the Act such as burglary of gambling-licensed premises or theft by staff, it will have an interest in the outcome of such investigations where they raise issues of relevance to the continuing suitability of persons licensed by the Commission. In those circumstances, the Commission could separately commence a review of the licence and take action against the licence holder.

## Commentary on paragraphs 1.1 to 1.4:

The Commission will seek to prevent crime by:

- licensing operators and key employees to maintain rigorous pre-entry screening to ensure that those offering facilities for gambling or working in the industry are honest and competent;
- examining the corporate control structures of operators to enable the Commission to identify and satisfy itself of the integrity of controllers and others relevant to the operation of the gambling;
- investigating and prosecuting illegal gambling;
- providing clear advice on compliance to licensed operators;
- providing clear guidance to local licensing authorities;
- imposing conditions on licensed operators, monitoring compliance and applying sanctions for non-compliance;
- making available clear advice to the public on what activities are permissible without a licence;
- employing staff with the skills, knowledge and necessary powers to carry out compliance and enforcement functions; and
- building and maintaining good liaison and working relationships with local authorities, other regulators and law enforcement bodies.

Clearly there are crimes that fall between the categories mentioned in this draft Statement. Our view is that the primary enforcement focus should be on activities carried out by those who are facilitating illegal gambling; on the measures that operators can take to combat those who may be using gambling as a means of disposing of illegally-obtained assets; and on crimes that directly affect other punters' chances.

So, for example, in relation to the new offence of cheating, we would expect the Commission to have a role in cases where the activities of the cheat directly affect the chances of other punters. Some enquiries may be wide-ranging and more appropriate for the police to deal with and we will want to work closely with them to identify our respective roles and to agree practical arrangements for working together.

In some circumstances where, for example, the operator is the victim of a cheat, we will expect operators themselves to take a robust line and, where practicable, make it clear that cheats will be prosecuted by them (in the same way that some retailers deal with shoplifters). Equally, in relation to the conduct of sports people and of sporting events, we are clear that the prime responsibility for regulation must rest with the appropriate sporting body and not with the Gambling Commission, although the Commission will want to work closely with those bodies to identify illegal activity and assist in combating it.

Within this general approach we have not yet reached a final view on what the Commission's role should be in relation to investigating and prosecuting cheating. We would welcome views on the principles that the Commission should adopt to draw a line between its activities and those of the police, other law enforcement agencies, operators and sports regulators.

This links to the powers that will be available to the Commission to void bets. Before reaching a settled policy on the framework for the use of this power, we will want to gain some experience of regulating the betting industry and developing a working relationship with the sports regulators. Until then we do not believe that we can properly assess how this power might be used, or indicate the circumstances in which such an intervention would be proportionate. Once we have this power, from autumn 2007, we would propose to consider any cases that arose on an individual basis, until we were better placed to set out some guiding principles. We would welcome views on that approach.

In relation to the proceeds of crime, casino operators will have particular requirements on them to prevent and detect money laundering and these will be reflected in licence conditions and Commission codes. But all operators will have responsibilities under the Proceeds of Crime Act (POCA) to report suspicious transactions. The legal requirement on operators under that Act will be no different from that on other businesses, but we will want to consider whether gambling offers particular opportunities for disposing of the proceeds of crime that, to meet its objectives, the Commission should take steps to reduce. For example, this could be addressed in codes that required operators to ensure that their staff were aware of the POCA requirements and that they understood the obligations on them to report any suspicious transactions. We would welcome views, both on whether gambling presents particular opportunities for criminals to dispose of assets and on whether there should be additional requirements on all gambling operators.

## Questions for consultation:

1. Are there measures, in addition to those mentioned above, that the Commission should take to prevent crime?
2. Is the Commission right to give priority to the areas specified in the draft Statement?
3. What principles should determine the boundaries between the roles of the Commission, operators, police and sports regulators?
4. Are additional safeguards needed to reduce the opportunities for disposing of the proceeds of crime in particular types of gambling? If so, what should they be?

### 1.5

The other strand of the first licensing objective relates to the prevention of gambling being a source of **disorder**. Licensing authorities will have the principal role in delivering this objective, but the Commission will also have a key role in this, including:

- advising licensing authorities on the responsibilities that they have in relation to premises licensing and the achievement of this objective; and
- where the Commission becomes aware that there are problems arising from disorder at gambling premises, it will consider whether the operating licence should be reviewed to confirm that the operator continues to be suitable to offer facilities for gambling.

### Commentary on paragraph 1.5:

Regulatory issues arising from the prevention of disorder are likely to focus on premises. We do not think that it will be necessary or appropriate for the Commission to offer detailed guidance on what should be taken into account in this respect. Local authorities are experienced in making judgements in relation to the suitability of premises, particularly those for which they have responsibilities under the Licensing Act 2003, in which context they have wider powers also to take into account measures to prevent nuisance.

Local authorities do have the ability under section 169 of the Gambling Act to impose licence conditions. This can include a requirement for door supervision which, as a result of section 178, could require individuals to be licensed by the Security Industry Authority. We will need to consider whether the Commission's guidance to local authorities should express a view on whether such a requirement is desirable.

Operators obviously have a role in ensuring that gambling is carried out in an orderly fashion and this will be achieved, for example, through adequate security, properly trained staff, admission and barring policies and planning designs that reduce the opportunity for problem areas in and around the premises.

## Questions for consultation:

5. Are there other measures that the Commission should take to prevent gambling being a source of disorder? If so, please set out what they are.
6. Should the Commission give guidance to local authorities on requirements for door supervision in the interests of consistency and dissemination of best practice?

### 1.6

In approaching the second licensing objective, that gambling should be conducted in a **fair and open way**, the Commission will be concerned to ensure that not only is the gambling fair in the way it is played, but that the rules are transparent to players and they know what to expect. It will achieve this by working to ensure that:

- operating and personal licences are issued only to those who are suitable to offer gambling facilities or work in the industry;
- easily understandable information is made available by operators to players about, for example: the rules of the game, the probability of losing or winning, and the terms and conditions on which business is conducted;
- the rules are fair;
- advertising is not misleading;
- the results of events and competitions on which commercial gambling takes place are made public; and
- machines, equipment and software used to produce the outcome of games comply with relevant regulations made under the Act (eg under section 240), meet standards set by the Commission and operate as advertised.

## Commentary on paragraph 1.6:

We believe that the Commission has a key role in ensuring that gambling is conducted fairly and openly, both in the actions it takes itself and in the behaviour it requires and encourages of others.

In terms of the action that the Commission will take directly:

- its licensing regime will require that those involved in offering gambling are honest and competent;
- where the conduct of licensed individuals and companies fails to meet required standards, it will investigate breaches and, where appropriate, will apply sanctions or use its powers to initiate a prosecution. A separate consultation document will be issued on the Commission's approach to sanctions later this year;
- it will take action against unlicensed operators;
- it will publish information on the information players can expect to receive from operators; and

- it will have powers to test machines, equipment and software and, according to perceived risk, will consider which types of product within each category will require routine testing before being used live; what testing or data-collection requirements there should be during use; and what capacity there should be for spot-checks, as part of compliance-monitoring or in response to specific concerns. This will be discussed in more detail in the Commission's draft codes.

In terms of the behaviour the Commission will require of operators, this will include:

- imposing licence conditions relating to the provision and display of information to customers on the rules of the game and on their trading rules and the probability of winning or losing. Note that, subject to the customer profile, such information may need to be available in more than one language;
- requiring operators to have in place adequate arrangements to deal with complaints and disputes and to keep records of those; and
- through the code on advertising (to be issued separately by the Committee of Advertising Practice), ensuring that statements in advertising are not misleading and accurately reflect the true chances of winning and losing.

We recognise that information about probabilities is currently displayed in various ways by some operators, and that this can be a complicated issue to explain in simple terms. But this is an area that the Commission will want to explore further with operators, to ensure that information is readily available and is expressed in terms that are as clear and as easily understandable as possible. This is important both in ensuring that gambling is fair and open, and in introducing measures that help to protect vulnerable people.

## Questions for consultation:

7. Are the measures described above the right ones to promote the second licensing objective?
8. Should the Commission be considering other measures? If so, what should they be?

### 1.7

The first strand of the third licensing objective relates to **protecting children**. With limited exceptions, the intention of the Gambling Act is that children and young people should not be permitted to gamble and should be prevented from entering those gambling premises which are adult-only environments. The objective talks of protecting children from being "harmed or exploited by gambling", but in practice that means preventing them from taking part in or being in close proximity to gambling, and for there to be restrictions on advertising so that gambling products are not aimed at children or advertised in such a way that makes them particularly attractive to children. It will be a criminal offence to invite, cause or permit a child or young person to gamble (subject to the exceptions in section 46).

## 1.8

In approaching this objective the Commission will, for example:

- issue guidance to local authorities about ensuring that gambling premises are planned in such a way that access by children can be prevented;
- issue a code about access to casino premises in particular, in accordance with section 176;
- require persons operating premises in which gambling takes place to take measures, such as supervision of entrances; segregation of gambling from areas frequented by children; supervision of gaming machines in gambling premises that are not restricted to adults; and training of staff to prevent access by children and young persons;
- require persons operating remote gambling to ensure that there are adequate age verification measures in place to prevent children and young persons gambling on their sites; and
- work with the Committee of Advertising Practice to develop an advertising code on gambling, which will be backed up by conditions on the operating licence.

### Commentary on paragraphs 1.7 to 1.8:

The Commission will take seriously any breaches of the requirements in relation to preventing gambling by children and young persons.

In licence conditions and codes relating to gambling in premises we will want to consider requirements such as:

- operators having a policy to challenge gamblers (or potential gamblers) who look as though they may be, say, under 21 and require them to produce satisfactory evidence that they are over 18 (or 16, where relevant);
- physical barriers or other delineation between areas in which young persons are permitted and adult gambling areas: for example, in licensed family entertainment centres or the regional casino; and
- gaming machines in alcohol-licensed premises, where children and young persons may be present, being always within sight of staff.

In licence conditions and codes relating to remote gambling, we will want to consider what measures should be imposed to prevent children accessing and playing on gambling sites over and above the proposals set out in paragraph 1.8.

Allowing children to gamble will be an absolute offence, and operators will have to take effective measures to keep children out. In relation to remote gambling, the technology available to help achieve this is developing all the time and we will expect operators to make best use of the systems that are available to meet their obligations. We recognise that some legitimate players may be deterred by the checks that are necessary to verify age and could, in the case of remote gambling, choose to use unregulated sites in preference. These issues will be further explored in the Commission's draft codes, but in the meantime we would welcome views about the standards of verification that should be required.

The Responsibility in Gambling Trust (RIGT) has three strands to its work: research, treatment and education. In relation to the last of these, the Commission clearly has a role in making information available to the public about gambling, but we do not believe that should be further developed into a particular role in educating children about gambling. If there is work to be done in this area, it is our current view that the lead should rest with the RIGT.

There are limited forms of gambling that children and young persons may take part in (Category D gaming machines for children, and in addition lotteries and football pools for young people). We expect to work with RIGT to ensure that there is research on whether such gambling gives rise to harm or exploitation. In the meantime, we believe that the measures that will be in place in relation to gaming machines and advertising will ensure that there are adequate controls to protect children. We would welcome views on whether there are particular issues that the Commission should take into account in relation to this subject.

### Questions for consultation:

9. What practical measures can gambling operators take to ensure that children and young persons are prevented from gambling?
10. Are there measures that others (eg banks in relation to credit and debit cards) could take to restrict the opportunity that children have to access remote sites?
11. Satisfactory age and identity verification may be more difficult to achieve for overseas players (because of different approaches to record keeping and information sharing): would a different standard of checks be defensible for them?
12. What, if any, role should the Commission have in educating children about gambling?
13. Children are permitted to gamble on Category D gaming machines and young persons may buy lottery tickets and enter football pools. Should the Commission adopt any special measures to prevent "harm or exploitation" in these sectors?

## 1.9

The second strand of the third licensing objective relates to **protecting vulnerable persons** from being harmed or exploited by gambling. The Gambling Act does not seek to prohibit particular groups of adults from gambling in the same way that it prohibits children. The Commission will not seek to define "vulnerable persons", but for regulatory purposes it will assume that this group includes:

- people who gamble more than they want to;
- people who gamble beyond their means; and/or
- people who may not be able to make informed or balanced decisions about gambling due to a mental impairment, alcohol or drugs.

## 1.10

The Commission's role is to protect such people from harm and exploitation. Its role does not, for example, extend to treatment or care of those who have gambling problems, though the Commission will have an interest in keeping up to date with developments and trends in work of that kind. However, the Commission is required by section 24 of the Act to include in codes the arrangements that should be made by operators for making assistance available to people who are or who may be affected by problems related to gambling. This assistance may be general, such as supporting the work of the Responsibility in Gambling Trust; or it may be specific to individuals, including measures such as interventions by staff or self-banning.

## 1.11

In approaching this objective the Commission will, amongst other things:

- issue codes that include social responsibility requirements, which will set out what practical measures operators must take, including staff training;
- ensure that marketing practices (including advertising and inducements) do not exaggerate the chances of winning or encourage players to gamble more than they can afford or want to;
- liaise with the Responsibility in Gambling Trust and others to build and maintain knowledge about the causes of problem gambling and measures that may be taken to reduce the prevalence of problem gambling; and
- undertake regular prevalence studies. The fieldwork for the first of these will take place in 2006.

## 1.12

The focus of the Commission will be on identifying best practice in protecting vulnerable people from being harmed or exploited by gambling, and where appropriate placing requirements on operators to put particular measures in place and to monitor their compliance. It will normally rely on external research but may find it helpful to carry out, or commission, applied research on the effectiveness of particular measures – both before they are implemented and to monitor how effective they are in practice. In interpreting the available evidence, the Commission will want to take a precautionary approach. For example, caution may be justified where evidence is mixed or inconclusive, and the Commission would not want to restrict its discretion by requiring clear evidence that something was unsafe before taking measures to restrict it.

## Commentary on paragraphs 1.9 to 1.12:

The Commission will carry out regular prevalence studies to measure the prevalence of gambling and problem gambling in Great Britain. That apart, the Commission's role in respect of research is fairly narrow in contrast to the wider interests of the Responsibility in Gambling Trust, with which the Commission will seek to work closely.

The fieldwork for the first prevalence study to be carried out by the Commission will be carried out in mid-2006 and the full report will be published in mid-2007. We have already begun the procurement process for a research body to advise on study methodology and to carry out the fieldwork, and have completed the first of a series of consultation exercises. This first exercise concentrated on the proposed aims of the study, and further consultations will address methodology and questionnaire design. We welcome the expertise of industry, bodies with an interest in problem gambling, faith groups and research bodies and will involve each of these at the appropriate stages of the planning.

Once the study has been completed, it will be used as one key source of evidence to inform the Commission's approach to regulating the industry and will also be used to advise the Secretary of State on the effects and regulation of gambling.

Some additional information on our approach to the prevalence study can be seen on our website [www.gamblingcommission.gov.uk](http://www.gamblingcommission.gov.uk). We will post further updates on the website as planning for the first study progresses.

In terms of the measures that operators will be required to take by the Commission, we will, for example, want to consider the following:

- training of staff and guidance on how far staff will be expected to intervene if it is believed that a customer may have a gambling problem;
- arrangements for self-exclusion and the operators' policy on excluding people they believe may have a problem;
- reality checks (such as clocks and breaks in play);
- speed of play;
- where giving credit is permissible, ensuring that the operator's policy is socially responsible; and
- display of information about problem gambling and where help may be obtained.

These examples are illustrative only and the requirements that the Commission may introduce will be the subject of consultation in the draft codes, but in the meantime we would welcome views. For example, a requirement could be that staff must be trained in awareness of social responsibility, but how far should operators be required to train staff to intervene in circumstances in which a gambler appears to have a problem?

We would also welcome comments on section 81 of the Act relating to the making of offers designed to induce persons to participate, or to increase their participation, in gambling. We recognise that it is part of normal commercial practice to make gambling products, the price and the ambiance attractive to potential customers. This results in the customer being able to choose one supplier rather than another and legitimately encourages them to consume more of the various aspects of the ‘gambling experience’. We recognise that such competition can be to the consumer’s advantage where it pushes up standards and keeps the overall cost competitive.

However, our concern is that such inducements/incentives should not encourage excessive gambling or be targeted at or unintentionally attract the vulnerable. The Commission’s codes and conditions will aim to restrict or prohibit inducements and incentives which disproportionately influence the vulnerable or those with problem-gambling tendencies or which are likely to frustrate the achievement of the licensing objectives, for example by inducing excessive gambling.

### Questions for consultation:

14. Are there other groups of people that the Commission should regard as “vulnerable”?
15. Can excessive gambling be defined in general terms or does it depend on the circumstances and the individual?
16. Should the Commission require operators to train staff to intervene if customers appear to have a problem? If so, should this apply to all gambling sectors?
17. What practical measures should operators be required to take to protect vulnerable people?
18. What issues should the Commission take into account in considering measures to protect people who have a mental impairment?
19. What further principles or criteria could the Commission adopt to assess the acceptability of inducements/incentives?

## Principles and stakeholders

### 1.13

In exercising its functions under the Act and in ensuring delivery of the licensing objectives, the Gambling Commission will be guided by the following principles:

- it will regulate gambling in the public interest and it will do so vigorously;
- it will regulate in a transparent, accountable, proportionate, consistent and targeted manner;
- its approach to regulation will be risk-based;
- its assessment of risk will be led by the evidence, relevant information, and best regulatory practice in the light of international experience; where there is no evidence, it will take a cautious approach;
- it will consult widely; and
- it will use its resources effectively.

### 1.14

These policies and practices will be reviewed regularly by the Commissioners, with the aim of ensuring that the regulatory burden imposed by the Commission is the minimum consistent with the carrying out of its duties under the Act.

### Commentary on paragraphs 1.13 to 1.14:

These principles are intended to reflect the current best practice in regulation, as promulgated by the Better Regulation Task Force and the Hampton Review of regulatory inspections and enforcement.

The Hampton Review sets out a number of common principles that it recommends all regulators should follow. These include:

- taking a risk-based approach across enforcement activities, so there should be no inspection of businesses without a reason and, as a consequence, resources and inspection activity should be strengthened in the areas where the risks are greatest;
- information requirements should be based on risk-based assessment to reduce the number of forms and requests for information;
- the penalty regime should be based on managing the risk of re-offending, and the impact of the offence, but there will be tougher penalties for ‘rogue businesses’ that persistently break the rules;
- greater focus on giving advice and support to businesses on how to comply with regulations; and
- standards for service delivery to be set out and performance against them to be published.

The reference to the Commission taking a *cautious approach where there is no evidence* is not intended to suggest that where evidence is difficult or impossible to obtain, no changes or new initiatives will be permitted. In taking a cautious approach, the Commission will want to consider whether the action that is proposed is likely to be conducive to achieving the licensing objectives.

### Questions for consultation:

- 20.** Are there other principles that the Commission should take into account in determining its approach to its functions under the Act?

### 1.15

The Commission will aim to establish an effective working relationship with licensing authorities, the gambling industry, those working in the industry, gamblers and others with an interest in socially responsible gambling and its regulation. In addition, it will work closely with a range of other regulators and Government bodies to share information and, where appropriate, to take coordinated regulatory action.

### Commentary on paragraph 1.15:

We will be publishing separately for consultation the Commission's draft guidance to local authorities under section 25 of the Act. We will aim to meet regularly with bodies representing licensing authorities (in England, Wales and Scotland) to discuss issues of joint interest and to ensure that the guidance from the Commission meets their needs.

The Commission will continue to build on the good working relationships that the Gaming Board for Great Britain, its predecessor body, has established with various sectors of the gambling industry. During the transition period and before, contact has been maintained by means of regular meetings with representatives from each sector. The Commission will want to consider whether that is the most effective means of keeping in touch or whether other, cross-sector groups should be established. We would welcome views on this.

The Commission is required to consult members of the public, *to the extent and as it thinks appropriate*. We would like to encourage gamblers, those working in the industry and those who do not participate in gambling but have a view to let us know what they think. We have invited individuals and groups with an interest to register on the Commission's website ([www.gamblingcommission.gov.uk](http://www.gamblingcommission.gov.uk)) and we will ensure that they are kept informed of developments in the areas that interest them. We are considering how to engage more actively with the public. We will ensure that our website is user-friendly, informative and up to date and we plan to use it as a primary communication tool with the public. We would welcome views on whether that is the right approach.

In relation to socially responsible gambling, we will keep in close contact with the Responsibility in Gambling Trust and with other bodies, such as Gamcare and Gordon House, which are active in this field. We will also build and maintain contact with others, such as faith groups. The Commission's policy unit will monitor developments in academic and research studies to ensure that, over time, we build up a solid foundation of knowledge on which to base decisions and give advice to the Secretary of State.

The Act provides the Commission with the ability to exchange information with law enforcement and regulatory bodies and with sports regulators. We will establish good relations with those bodies and work together where that is appropriate.

### Questions for consultation:

- 21.** What is the most effective means of engaging with licensing authorities and getting feedback from them?
- 22.** Are the current liaison arrangements with the gambling industry satisfactory? How could these be improved?
- 23.** Should the Commission do more to seek the views of the public – including gamblers, gambling staff and others with an interest? How can this be achieved cost effectively?

## 2. Provisions of the Act

There are some specific provisions of the Act on which the Commission is required to comment in the Statement. This section deals with these procedural issues. It is not yet complete, but is included here to illustrate the areas that will be covered after further consultation.

### Section 23: Statement of principles on licensing and regulation

#### 2.1

The Commission will review this Statement from time to time and will revise it when appropriate. Before doing so it will consult on the proposed changes.

### Section 70: Consideration of applications: general principles

#### 2.2

This section deals with principles for considering applications for operating licences under section 69 and personal licences under section 128.

#### 2.3

In considering applications for operating and personal licences the Commission will have regard to the licensing objectives in section 1 of the Act.

#### 2.4

The Commission will seek to ensure that gambling does not become a source of crime, by requiring those individuals seeking licences and persons relevant to licence applications made by companies, partnerships and other bodies to undergo enhanced criminal records checks. Where appropriate, it will also seek information from other law enforcement agencies, gambling regulators in other jurisdictions and other bodies which may hold information relevant to the application. It will also have regard to any references that the applicant chooses to submit in support of the application. A "person relevant" to an application is defined in section 70(9) as a "person who, in particular, is likely to exercise a function in connection with or have an interest in the licensed activities". This would include, for example, directors of a company applicant.

#### 2.5

The Commission will make enquiries about the financial position of those seeking to operate gambling. It will require to be satisfied that, where appropriate, an operator has established reserves or other arrangements to cover potential liabilities.

#### 2.6

The Commission will normally require the applicant to supply a statement of assets or liabilities and such other evidence that is necessary to form a judgement about his or her financial means.

#### 2.7

It will be the responsibility of operators to ensure that, where this is a requirement, staff hold personal licences issued by the Commission and that all staff are properly trained to carry out their functions. The Commission will consider whether the operator's training programme meets any minimum requirements that may be issued by it from time to time.

#### 2.8

The Act provides that the Commission may assume integrity for certain classes or categories of applicant.

#### 2.9

The Commission is required to consider the suitability of gaming machines and other equipment to be used in connection with licensed activities. In particular, the Commission will seek to ensure that gambling is fair and open by requiring specified categories of machines and equipment to be tested before they are used by the public. It will set standards with which manufacturers and software providers must comply. In setting such standards the Commission will have regard to the standards that are imposed in other jurisdictions, so that, where appropriate, the standards it requires are consistent with those.

**2.10**

Where the Commission considers it necessary it will personally interview applicants for operating or personal licences before reaching a decision on the application. Such interviews may be carried out by the Commissioners or by Commission staff.

**2.11**

Operators will be required to demonstrate how they propose to meet the requirement to be socially responsible in the manner in which they offer gambling.

**2.12**

The Commission will provide clear advice to applicants on the information that must be submitted with an application for a licence and the standards that it will expect them to meet.

**Commentary on paragraphs 2.2 to 2.12:**

We shall include conditions on operating licences requiring staff carrying out certain management and operational functions to hold personal licences. Our policy on personal licensing is still being developed. It will balance the need to be proportionate with the aim of ensuring that staff who are in a key position to deliver or impede the delivery of the licensing objectives should be licensed. That might suggest that at least one personal licence holder should be present at all times that gambling is taking place, but we recognise that this would not be a proportionate response in every sector. Proposals for personal licensing in each sector will be issued for consultation with the Commission's codes. In the meantime, we would welcome views on the principles that should be taken into account in determining who should be required to hold personal licences.

The requirements in relation to financial provision will vary according to the nature and size of the gambling operation. In general, we will expect operators to demonstrate that they can cover potential liabilities and that, where appropriate, there are arrangements in place to protect customers' funds. In this respect, we may rely on the fact that satisfactory evidence has already been provided to meet the requirements of other regulators, such as the Financial Services Authority or the Charity Commission, but this will need to be considered on a case-by-case basis.

The Commission will require proof of integrity for those who control the holders of operating licences. A "controller" is defined by reference to the definition in section 422 of the Financial Services and Markets Act 2000.

The categories of applicant where we will assume integrity will include local authorities, which may be applying to operate lotteries. During the transition phase in particular, we may assume continuing integrity for operators who have previously held certificates of approval issued by the Gaming Board rather than conduct new enquiries. We will consider this on an individual basis, having regard to how recently Criminal Records Bureau and other checks have been carried out and to whether the operator's compliance record has been satisfactory.

We may interview applicants for operating and personal licences. Interviews may take place at the Commission's headquarters in Birmingham, at operators' premises and at other suitable locations as may be necessary. The Commission does not propose to maintain regional offices for this or other purposes.

The need for interviews will be assessed on a case-by-case basis, based on the need to address any concerns arising from the application, to test knowledge, or to allow us to satisfy ourselves of the suitability of applicants. In determining whether an interview is necessary we will take into account the risk that the proposed activity presents in relation to the achievement of the licensing objectives. Thus it is less likely that we will find it necessary to interview all applicants applying to operate a licensed Family Entertainment Centre, and more likely that the Commissioners themselves routinely will want to see new operators of casino or betting chains. Interviews may be conducted by Commissioners and/or Commission staff, depending on the particular circumstances of an application. We would welcome views on the value of personal interviews.

We have a direct interest in the standard of training of staff to reduce the risks of, for example: staff who do not understand the requirements that the Act and the associated licence conditions and codes place on them; staff who are unsure about company procedures they should follow; and staff who are ill-informed about the gambling products they are offering, leading to mistakes or misinformation. Ideally we would like to be able to specify levels of independently validated qualifications. But despite the progress that the gambling industry has been making, with People 1st, towards the possible development of training standards and accreditation, these are not yet generally available. Training and qualifications in combating problem gambling are particularly underdeveloped. In the absence of such qualifications, we will therefore look to operators to demonstrate to us that the training programmes they offer provide staff with the knowledge and skills that they need to do their jobs.

Currently, we do not see it as part of our role to lead on or require the development of accredited training or qualifications, much as we welcome the industry initiatives on this.

## Questions for consultation:

24. What principles should the Commission take into account in determining who should need personal licences?
25. Are there other regulatory standards that certain operators already have to meet to which the Commission should have regard, rather than impose a separate test?
26. For what categories of applicant, if any, should the Commission assume integrity?
27. What should be the criteria for determining whether personal interviews are necessary properly to assess the suitability of particular applicants or classes of applicant for the different categories of licence?
28. What should the Commission do to promote the development of training and qualifications throughout the gambling industry?
29. Should the Commission actively encourage the development of accredited training and a qualification framework? If so, is that relevant in all gambling sectors?

## Section 73: Procedure

### 2.13

The Commission will delegate functions in relation to the determination of applications to Commission staff. Actions and decisions taken by staff with regard to applications will be carried out on behalf of and with the authority of the Commission.

### 2.14

Gambling Commission internal procedures will determine which categories, if any, should routinely go before the Commissioners for decision. In addition to those categories, instructions are likely to provide that all applications that raise significant, novel or contentious issues should be referred.

### 2.15

The Commission will offer an opportunity to make representations to all persons whose application for a licence it is minded to refuse and in all cases where, following a review, it proposes to revoke a licence or impose another penalty under section 117 of the Act.

### 2.16

The Commission will publish comprehensive notes with application forms which will set out the information that the Commission requires about, for example, identity, qualifications/other evidence of competence, financial status, business proposals, etc, and the documents that should accompany the application.

## Commentary on paragraphs 2.13 to 2.16:

This section is currently incomplete, but is included here to give an indication of the information that the Commission will publish nearer the start of full operations. The Commission will publish more information about its internal procedures. Those procedures are currently being developed but, to give an example, in the case of hearings they will include details such as: the circumstances in which hearings will be arranged; the notice that will be given; where they may be held (at the Commission's headquarters and possibly elsewhere in Great Britain); and who may be represented etc.

## Section 111: Power to limit duration of licences

### 2.17

By virtue of section 110, all operating licences will have an indefinite duration unless revoked or suspended, or unless the Commission makes a determination under section 111 to limit the duration of licences.

## Commentary on paragraph 2.17:

The Department for Culture, Media and Sport is publishing a separate consultation document on the timetable and procedural arrangements for the migration of existing licences and other permissions to the new licences and permits under the Gambling Act. That document has been prepared in consultation with the Commission. Responses to those proposals should be sent to DCMS, but the Commission will be taking account of the outcome of that exercise in finalising its arrangements for starting to process applications under the 2005 Act.

The Commission will be required to maintain registers of operating and personal licences. In relation to operating licences there is a requirement to pay an annual fee and this will offer an opportunity for information in the register to be updated if that is necessary.

For personal licences, an annual fee is not payable and the duration of the licence may not be limited by the Commission in the same way that it may limit the duration of operating licences under section 111. However, if the register of personal licences is to be of any value, we will need to have the ability to validate the information in it.

The Secretary of State does have the ability to make regulations under section 132 to require personal licence holders to pay fees to the Commission in respect of specified periods during which the licence is held. We are considering with DCMS whether it is desirable for the Secretary of State to use this power, both to spread the cost of personal licences so that licence holders contribute to costs of compliance and monitoring while they remain in the industry, and so that the information in the register remains valid and up to date. For those reasons, a requirement to pay a fee to the Commission, say, every five years would seem reasonable. We would welcome views both on whether there should be a periodic fee and, if so, the length of period it should cover. We will consider responses and make recommendations to the Secretary of State.

### Questions for consultation:

30. What information should be included in the public register of operating licences and personal licences?
31. How should the Commission validate the register on an on-going basis?
32. Should there be a periodic fee for personal licences or should the costs of maintaining the lists be an overhead cost for operating licences?
33. If appropriate, what period should such a fee cover?

## Section 121: Financial penalty

### 2.18

The Commission will issue a separate statement on financial penalties.

# The consultation process: how to contribute

Responses to the questions raised in this Statement of Principles consultation document should reach the Gambling Commission by **Friday 27 January 2006**.

Please indicate clearly the questions or paragraph numbers your response refers to. A numbered response form in MS Word format is available from the Consultation section of the Gambling Commission website at [www.gamblingcommission.gov.uk](http://www.gamblingcommission.gov.uk).

We would prefer to receive responses by email. Please send them to [consultation@gamblingcommission.gov.uk](mailto:consultation@gamblingcommission.gov.uk).

If you would prefer to post your comments, please send them to:

Consultation Coordinator  
Gambling Commission  
Berkshire House  
168-173 High Holborn  
London WC1V 7AA

When responding, please state whether you are doing so as an individual or representing the views of an organisation. If responding on behalf of an organisation, please make it clear who that organisation represents. If responding as an individual, please mention your own interest.

Please note that responses may be made public or published in a summary of responses to the consultation unless you state clearly that you wish your response or name to be treated confidentially. Confidential responses will be included in any statistical summary of numbers of comments received. If you are replying by email or via the website, unless you specifically include a request to the contrary in the main text of your submission to us, we will assume your consent overrides any confidentiality disclaimer that is generated by your organisation's IT system.

The Gambling Commission will be drawing up a Regulatory Impact Assessment on its implementation of the Gambling Act 2005. We would welcome your views on the impact of any proposals.

Further information and copies of the consultation document are available from:

[Consultation Coordinator](#)  
**T 0207 306 6219**  
**E [consultation@gamblingcommission.gov.uk](mailto:consultation@gamblingcommission.gov.uk)**

Following the end of the consultation period we will prepare a summary of responses. We expect to publish this on the Gambling Commission website in April 2006.

This consultation is being carried out in accordance with the Cabinet Office Code of Practice on Consultation. The criteria are listed on the Commission's website, together with details of who to contact with any comments on the consultation procedure or complaints about the way it is being conducted. The complete code is available on the Cabinet Office website: [www.cabinet-office.gov.uk/regulation/consultation](http://www.cabinet-office.gov.uk/regulation/consultation).





The Gambling Commission regulates gambling in the public interest. It does so by keeping crime out of gambling, by ensuring that gambling is conducted fairly and openly, and by protecting children and vulnerable people. The Commission also provides independent advice to government on gambling in Britain.

For further information or to register your interest in the Commission, please visit its website at

[www.gamblingcommission.gov.uk](http://www.gamblingcommission.gov.uk)

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

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