



Department  
for Culture  
Media & Sport

# Proposals for Gambling Commission Fees from April 2017

8 July 2016

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# Chapter 1: Executive Summary

## Background

- 1.1 The Gambling Act 2005 ('the 2005 Act') gives the Secretary of State for Culture, Media and Sport ('the Secretary of State') the power to make regulations setting fees to be paid to the Gambling Commission ('the Commission') for operating and personal licences. These fees are set in accordance with the 2005 Act, with HM Treasury's rules and guidance on fees, levies and charges, and at a level that enables the Commission to recover the full costs of delivering its responsibilities, while ensuring fairness and value for money for the gambling industry.
- 1.2 This is a joint consultation exercise by the Government and the Commission, informed by recommendations put forward by the Commission to Government. The proposals set out in this consultation aim to ensure that the Commission's costs continue to be recovered on a proportionate and equitable basis from the different types and sizes of operator across each of the gambling sectors it regulates. The proposals would reduce the overall fees burden across the industry, remove potential barriers to entering the gambling market, and reduce the administrative costs where operators' businesses grow.
- 1.3 This review follows a significant change to the Commission's regulatory remit resulting from the implementation of the Gambling (Licensing and Advertising) Act 2014 ('the 2014 Act'). The 2014 Act came into force in November 2014, and changed the regulation of remote<sup>1</sup> gambling from a 'point of supply' to a 'point of consumption' basis. This means that any operator transacting with consumers in Great Britain must obtain a licence from the Commission, regardless of where the operator is based. This increased the volume of gambling regulated by the Commission (excluding the National Lottery) from around £6.7bn to around £9.3bn. A review of the Commission's fees is therefore timely.
- 1.4 The Commission published a fees discussion paper on 1 September 2015, and held a discussion workshop with gambling industry stakeholders on 24 September. The paper explained the approach to recovering the Commission's costs through licence fees, the Commission's thinking on how the fees structure could be improved, and the implications of the 2014 Act on its income, costs and therefore the fees needed to recover those costs. The Commission has taken into account the responses it received to that exercise from stakeholders in providing its advice to Government on changes to fees.
- 1.5 This consultation details the proposed changes to fees and invites comments on them. The intention is that these changes will come into effect on the 'common commencement' date 6 April 2017. The fees regulations will be subject to the negative resolution<sup>2</sup> procedure in Parliament.
- 1.6 The proposed fees are at **Appendices C to F**.

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<sup>1</sup> Gambling in which persons participate by the use of remote communication e.g. the internet or other electronic technology.

<sup>2</sup> Where a statutory instrument laid before Parliament will automatically become law without debate, unless there is an objection from either House.

## Summary

- 1.7 The overarching principle guiding fee-setting is that the amounts individuals and organisations pay in fees should reflect the costs that the Commission incurs in carrying out its functions in respect of those gambling activities. This is in accordance with the general requirements of HM Treasury as set out in *Managing Public Money* (July 2013). Fees should therefore be set at a level to recover the Commission's reasonable costs in regulating the gambling market in accordance with its statutory functions.
- 1.8 The approach to reviewing fees therefore requires an assessment of the cost to the Commission of carrying out its statutory functions, which is informed by the Commission's business planning. As part of its planning framework, the Commission will evaluate the factors that are expected to influence its future operational costs and will prepare forecasts of the resources that it estimates it will require. Efficiency improvements are added to this which reduce the overall level of its costs.
- 1.9 The Commission has reviewed its fees in light of a full year of operation since its remit was extended by the 2014 Act to include the licensing and regulation of overseas operators. Its review has confirmed that, while its overall costs have increased with the extension of its functions, its income from licence fees is, and will continue to be, in excess of its operational costs. Its recommendations to Government for changes to licence fees have therefore been developed in this context. The proposals contained within this consultation would lead to an overall reduction in its licence fee income by an estimated 10%.
- 1.10 We propose retaining the broad structure of sub-dividing licences into fee bands or categories. This gives operators certainty about the level of fees they need to pay, and minimises administrative complexity and costs both for operators and the Commission. However, we also propose some modifications to this structure to improve fairness for operators.
- 1.11 In particular the proposals entail:
- Moving several additional sectors to gross gambling yield (GGY) as the metric for categorising the fee bands. Consequently, those non-remote licence types which are currently banded by premises numbers or premises size will be banded by GGY. These include: bingo, general betting (standard), adult gaming centre, family entertainment centre and 2005 Act casinos. This will apply for both application fees and annual fees.
  - The sub-division of fee categories at the lower end of fee bands, for a number of licence types. This will smooth the jump in fee between bands at the lower end (e.g. fee categories A and B will be sub-divided for some non-remote licences and fee categories F and/or G will be sub-divided for some remote and B2B<sup>3</sup> licences). These sub-divisions, along with lower fees for the smallest fee categories, will help to reduce barriers to the smallest businesses entering the market and reduce barriers if small businesses grow.

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<sup>3</sup> Operating licences issued to Business-to-Business providers; specifically, the gaming machine technical (software) and gambling software licences in this context.

- The sub-division of fee categories at the larger end of some fee bands (for example, gaming machine technical and gambling software licences) and the introduction of a 'fee formula' at the highest fee category of some licences, replacing a fixed fee amount. These changes will ensure that the fees payable by expanding businesses (e.g. as a result of acquisitions and mergers) continue to be reflective of the Commission's costs.
- Reduced annual fees for most smaller operators. This reflects the efficiencies which the Commission will achieve over the coming years, together with a more proportionate recovery of certain costs from operators based on the volume of gambling (which is the main driver of the Commission's costs).
- Reduced variation fees for all operators when they cross any band/fee category. Variation fees to increase fee categories would move to a flat rate of £25 rather than the current 20% of the normal application fee.
- The introduction of a new licence type for software manufacturers that also provide facilities for gambling by making their games available directly to customers of another remote casino or bingo operator (game hosts). The Commission must continue to ensure that fees reflect the costs of regulating those B2Bs that host games (and the interface of their business model with the B2C<sup>4</sup> model). However, the new licence type would recognise that some regulatory responsibilities in the Commission's licence conditions and codes of practice (LCCP) would in some circumstances be applicable only to the remote B2C operators rather than the B2B game hosts.
- The expansion of the scope of the gaming machine technical and gambling software remote ancillary licence, to allow software to be supplied by File Transfer Protocol (FTP) or by email up to a limit of £50,000 in annual sales (where the annual sales in reliance on the corresponding non-remote operating licence exceed the sales in reliance on that ancillary licence).
- Reduced fees for an application to continue a licence after a change in corporate control, in circumstances where the applicant is a small family-owned limited company and the shares have been transferred to an immediate family member.
- All application fees being reduced by 10% to reflect efficiencies the Commission has achieved through the introduction and expansion of online services.

The full proposals are detailed in Chapter 4.

### **Impact on operators**

1.12 These proposals would reduce the Commission's total income from fees by an estimated 10%. The Commission currently licenses around 3,000 operators, and fees for around 1,900 would be expected to reduce under the preferred option. Around 100 operators would receive fee increases in order to ensure that the Commission's costs are recovered

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<sup>4</sup> Business-to-Customer, specifically referring to those remote casino or bingo operators that run their own website or app and which contract directly with their own customers.

on a more proportionate and fairer basis from operators in line with the volumes of gambling activity generated by them.

- Fees for over 900 smaller terrestrial betting, bingo and arcade operators are expected to reduce, typically by between 9% and 15%; with much larger fee decreases of up to 50% for several operators where fee bands have been sub-divided into smaller bands.
- In addition, fees for over 500 gaming machine and gambling software manufacture/supply businesses would reduce by at least 5%.
- Most terrestrial casino operators would be expected to receive fee decreases in the order of 3% to 4%.
- Fees for most non-remote pool betting operators would reduce, between 4% and up to 14% for the smallest operators.
- Over 350 remote operators (smaller and medium-sized casino, bingo, and betting operators; including real event, virtual event, intermediary, pool and telephone betting) would receive fee reductions of various magnitudes, between 2% and 35%. There would be fee decreases of up to 75% for the smallest remote real event betting and betting intermediary operators, as a result of fee bands being sub-divided into smaller bands and a greater proportion of regulatory costs being recovered from the largest remote betting operators.
- Fees for around 20 of the largest operators would increase. Such fee increases would be between £18,000 and £67,000 (between 22% and 39%) for the largest non-remote operators, and between £26,000 and £164,000 (i.e. between 54% and 140%) for the largest remote operators. The new annual fees payable by those operators are expected to represent 0.05% to 0.1% of their gross gambling yields (or gross value of sales, in respect of B2B licensees).
- Around 70 medium-sized terrestrial operators would experience fee increases. The new recommended fee levels for such operators would represent around 0.2% to 0.4% of their annual GGY (based on fees increasing by 100% from around £1,500 to £3,000). The operators subject to such an increase would be paying a fairer share of regulatory costs through their fees, given that they have relatively high gambling yields despite their small number of premises.
- A handful of medium-sized remote operators would experience fee increases of around £8,500 (i.e. increases of 22%). The new fee amounts payable by these medium-sized remote operators are expected to be around 0.2% of their GGY.

### **Fees that will remain unchanged**

- Fees would be held at their current levels for over 500 society lottery operators and external lottery managers, and for over 500 on-course bookmakers. For society lotteries and on-course bookmakers, whose fees have already been held at the same levels since 2009 (and since 2007 for most such operators), maintaining the existing fee levels again would represent a significant reduction in real terms.

- Application and maintenance fees for personal functional licences (PFLs) and personal management licences (PMLs) would also be held at their current levels. Application and maintenance fees for these licences were increased in 2012 from £165 to £185 for PFLs and from £330 to £370 for PMLs. Again, holding those fees at their current levels amounts in practice to a reduction.

## How to respond to the consultation

- 1.13 The Secretary of State and the Commission welcome comments on these proposals from all stakeholders who may be interested. This consultation document is available at the Department for Culture, Media and Sport section of the gov.uk website and the Gambling Commission website ([www.gov.uk/government/organisations/department-for-culture-media-sport](http://www.gov.uk/government/organisations/department-for-culture-media-sport) and [www.gamblingcommission.gov.uk](http://www.gamblingcommission.gov.uk)).

The closing date for responses is **9 September 2016**. Please send your comments by e-mail to:

[Gambling.fees.review.2016@culture.gov.uk](mailto:Gambling.fees.review.2016@culture.gov.uk) or to:-

Gambling Commission Fee Review Consultation  
Department for Culture, Media and Sport  
4<sup>th</sup> Floor, 100 Parliament Street  
London SW1A 2BQ

copied to [consultation@gamblingcommission.gov.uk](mailto:consultation@gamblingcommission.gov.uk) or to

Consultation Coordinator  
Gambling Commission  
Victoria Square House  
Birmingham B2 4BP

When responding, please state whether you are doing so as an individual or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear who the organisation represents and, where applicable, how the views of members were assembled. We will acknowledge your response.

All information in responses, including personal information, may be subject to publication or disclosure under Freedom of Information legislation. Although we will endeavour to respect any request made by a respondent which is said to be made in confidence, this may not always be possible. Any such request should explain why confidentiality is necessary. Any automatic confidentiality disclaimer generated by your IT system will not be considered as such a request unless you specifically include a request, with an explanation, in the main text of your response.

This consultation is being conducted in line with the Cabinet Office consultation principles published in January 2016. The criteria are listed on gov.uk and 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.

## Chapter 2: Introduction

### The role of the Gambling Commission

- 2.1 The Commission regulates virtually all commercial gambling in Great Britain under the Gambling Act 2005 (2005 Act). This includes casinos, bingo, betting, arcades, larger non-commercial society lotteries, and the manufacture, supply and use of gaming machines and gambling software. It also regulates the National Lottery under separate legislation and funding arrangements. As such, the cost of regulating the National Lottery is outside of the scope of this consultation. The Commission licenses both the non-remote and remote sectors. The Commission does not regulate spread betting, which is the responsibility of the Financial Conduct Authority. The Commission regulates based on the three licensing objectives set out in the 2005 Act:
- Preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime
  - Ensuring that gambling is conducted in a fair and open way
  - Protecting children and other vulnerable persons from being harmed or exploited by gambling.
- 2.2 The Commission assesses the suitability of new applicants for operating licences and relevant personnel who are required to hold a personal management or functional licence<sup>5</sup>. It carries out compliance and enforcement work under the Act in relation to both licensed and unlicensed operators and it has a duty to advise Government on the impact of gambling and its regulation.
- 2.3 The current fee structure is the result of a process of evolution since the Commission's inception in 2007. This period has seen developments in regulatory strategy and priorities in response to both changes in the law and significant changes in the industry that the Commission regulates.
- 2.4 The Act gives authority to the Commission to issue a number of operating licences which cover both the provision of gambling facilities (e.g. general betting operating licence), and manufacture and supply of machines and software (e.g. gaming machine technical operating licence).
- 2.5 In order to attribute costs more accurately to operators and the activities they carry out, the Commission has subsequently broken these licences down to create more specific licence types (e.g. general betting (standard) (virtual event), general betting (standard) (real event) and gaming machine technical (supplier) and (software)). Licence types are then banded to attribute costs to the risk each operator presents to the licensing objectives. There are currently six different determinants for banding licence types, including size of premises (2005 Act casinos), number of premises (bingo, general betting (standard) etc) and GGY (remote operators).

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<sup>5</sup> Operating licences authorise the legal entity to which they are issued to provide facilities for gambling (e.g. to operate a casino, to provide facilities for betting, to make gaming machines available for use). A personal licence authorises an individual to perform the functions of a specified management office, or a specified operational function, in connection with the provision of facilities for gambling.



- 2.6 The proposals for changes to the fee structure within this consultation aim to ensure that fees remain closely aligned to the Commission's costs and regulatory activity. In particular, the proposals aim to achieve this through:
- a) The move from premises-based fee bands to GGY-based fee bands. We consider GGY to be a better measure for recovering costs from each operator through fees, as it is a much better indicator of the volume of gambling activity than premises numbers (such volume being the main driver of the Commission's costs). This proposal would therefore be a more appropriate means of recovering costs than the current metric of numbers of premises.
  - b) The sub-division of fee bands for smaller/medium operators in particular; chiefly, for those licence types moving from premises numbers to GGY, but also for some small/medium remote operators whose licences are already banded by GGY. This would ensure that when smaller businesses grow, they will be subject to smaller annual fee increases than those provided by the current fees structure. We are also reducing entry level fees for those smaller business entering the market.
  - c) The introduction of fee formulae at the top-end fee categories of some licences, to ensure the Commission's fee income continues to reflect the regulatory effort required in the event of mergers, acquisitions or consolidation among major operators.

#### **Determination of fees by the Secretary of State**

- 2.7 The legal framework for setting fees is summarised at Appendix B. In brief, the Secretary of State prescribes the fees the Commission is required to charge for its licences and related activities by means of regulation subject to negative resolution by Parliament. Fees have to be collected in advance, annually in the case of operating licences, and there is no statutory provision for instalments or delay in payments.
- 2.8 Government policy remains, as set out in previous fees consultations, that none of the costs of Commission activities should fall on the taxpayer, but rather on those choosing to provide and engage in licensed activities. As such, the Commission should continue to operate on a full cost-recovery basis, funded by licence fee income. In accordance with good regulatory practice, an appropriate balance must be struck between providing proper protection for consumers and making sure that the impact on those being regulated is proportionate. These proposals for changes to fees would reduce fee levels for the industry without compromising the aims of the Act.
- 2.9 We intend to publish the Government response to the consultation on the gov.uk website. The consultation principles encourage Departments to publish a response within twelve weeks. The report will summarise the responses and the action we propose to take in respect of them.

## **Structure of the document**

The remainder of this paper:

- Explains the Commission's strategic objectives and how they relate to activities and therefore costs
- Provides estimates of the volume of activity for the financial year 2017/18 based on the forecasted size of the industry
- Provides further detail behind the proposals for various changes to fees
- Explains alternative options which were considered
- Sets out questions for consultation

## Chapter 3: Gambling Commission regulatory costs

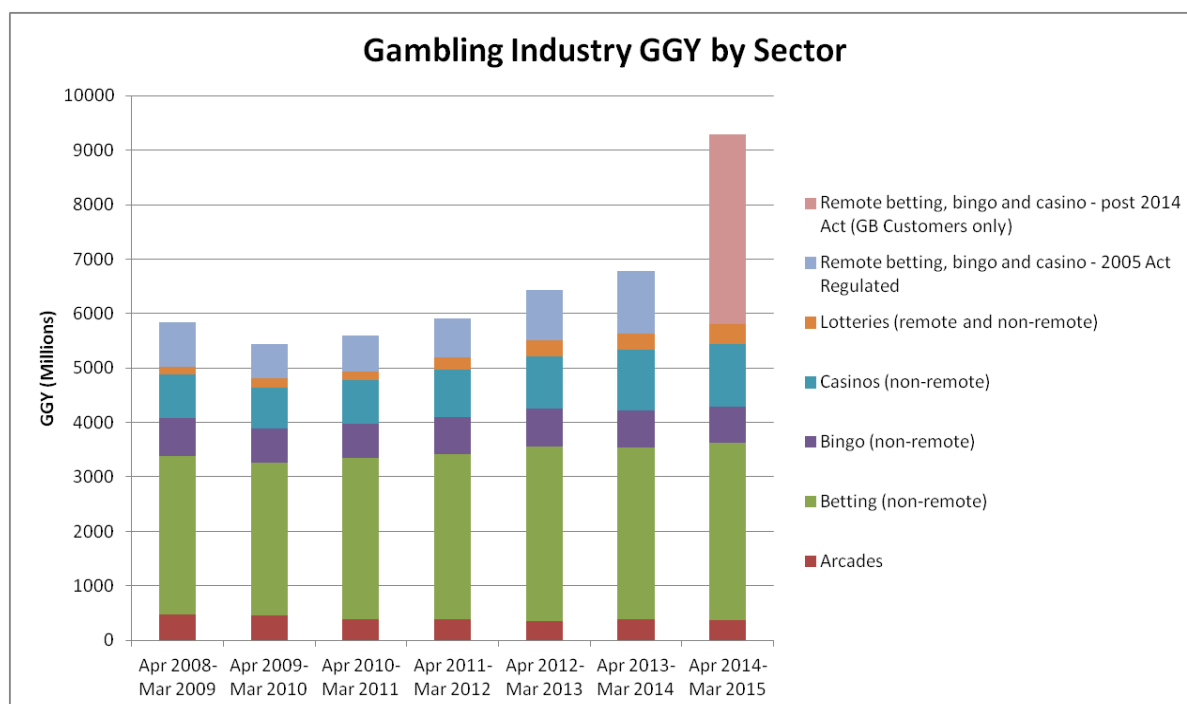
- 3.1 This chapter outlines the Commission's key cost drivers and its proposed activity levels for the forthcoming financial years. It provides a description of the costs incurred which need to be recovered through licence fees, and the specific activity levels are explained in the context of each of the Commission's strategic objectives. We then set out the implications of these activities for the Commission's projected costs and the implications for licence fees.
- 3.2 The Commission aims to permit gambling in so far as it is reasonably consistent with the licensing objectives of the Act. Using a risk-based approach, it focuses its resources on those issues and operators that potentially present the greatest risk to the licensing objectives.
- 3.3 The main drivers for the Commission's work are therefore the:
- volume of gambling activity;
  - number of licensed operators;
  - volume and complexity of compliance and enforcement casework; and
  - technical and policy issues that the Commission must consider.

These drive the Commission's assessments of scale and risk and its work on compliance, enforcement and the management of the regulatory regime. They are discussed in more detail below.

### Volume of gambling activity

- 3.4 The principal driver of the risk to the licensing objectives, and therefore the Commission's regulatory effort, is the volume of gambling activity undertaken by consumers with licensed gambling operators. GGY is regarded as the best general measure of gambling volume, although for some sectors and licence types other measures of risk are more suitable (for example, proceeds for lotteries, and the gross value of sales for B2B operators that are not customer-facing and so do not generate a gambling yield). A large proportion of the Commission's costs, which it needs to recover through fees, exhibit very few economies of scale and are therefore recovered on a basis that is directly proportionate to an operator's GGY (or other suitable measure).

**Figure 1: gambling industry GGY (including lottery proceeds but not National Lottery) April 2008-March 2015<sup>6</sup>**



### The number of licensed operators and licensed activities in which they are engaged

3.5 Although a large proportion of the Commission’s costs are driven by GGY (or other suitable metric), some of its costs are largely invariant to the size and scale of any operator, and so are more or less fixed. There are certain minimum costs of regulating an operator which set a floor to any annual fee, even if no active compliance work is undertaken and before any other regulatory costs are recovered from the operator. Further detail is at paragraphs 4.4 to 4.9. For larger operators there are of course added complexities, for example the need for personal management licences if the business is of a regional or national scale. However, those minimum regulatory costs do not vary directly with increased size. The nature of fixed costs means that some of the Commission’s work will be driven by the number of licensed operators and the number of licensed activities in which they are engaged. The recovery of costs is described in more detail in Chapter 4 and in the Commission’s [fees discussion paper](#).

<sup>6</sup> The pink bar for April 2014 to March 2015 includes all regulated remote gambling (transactions between all licensed remote operators and British customers).

**Figure 2: estimated number of licensed gambling activities 2017/18**

Licence Type	Estimated number of licensed gambling activities 2017/18								
	A1	A2	B1	B2	B3	C	D	E1 and above	Total
Non-remote operators									
Casino 2005 Act	1		1			5	0	0	7
Casino 1968 Act	25		8			7	1	1	42
Bingo	112	40	24	10	1	6	2	2	197
General Betting Standard	149	55	14	7	7	6	2	5	245
General Betting (no gaming machines)	8	0	0	0	0	0			8
General Betting Limited	284		231			17			532
Pool Betting	16		5			2	0	2	25
Adult Gaming Centre	272	144	33	9	2	2	1	3	466
Family Entertainment Centre	90	43	12	7	1	1	0	0	154
Gaming machine technical: full	31		14			8	2	0	55
Gaming machine technical: supplier	439		24			3	0	0	466
Gaming machine technical: software	13					1	0	0	14
Gambling Software	25		10			3	0	0	38
External Lottery Manager	15		6			1	3	6	31
Society Lottery	111		135			230			476
Linked gambling software									3
Linked gaming machine technical supplier									65
<b>Total non-remote</b>	<b>1591</b>	<b>282</b>	<b>517</b>	<b>33</b>	<b>11</b>	<b>292</b>	<b>11</b>	<b>19</b>	<b>2824</b>

Remote operators	F1	F2	F3	G1	G2	H1	H2	I	J	K	Total
Casino	64			16	20	17		18	5	2	142
Bingo	49			0	2	0		1	0	0	52
Virtual Event Betting	17			4	4	4		6	3	1	39
Games Host (Casino)	23			1	7	3		1	1	0	36
Game Host (Bingo)	3			0	0	0		0	0	0	3
General Betting Standard (Real Events)	41	14	15	8	9	1	4	1	0	0	93
Betting Intermediary	12	1	3	2			1	0	0	0	19
General Betting Limited (telephone and email)	24										24
Pool Betting	77			1	4	0	2	0	0	0	84
Trading Room	6			0							6
Gaming machine technical: full	3			4		6		1			14
Gaming machine technical: supplier				1				0			1
Gaming machine technical: software	2	2		3		1		0			8
Gambling Software	24	97		60		12		2			195
External Lottery Manager	11			3		1		2	1		18
Society Lottery	41			20		100					161
Remote Platform											435
Linked gambling software											58
<b>Total remote</b>	<b>397</b>	<b>114</b>	<b>18</b>	<b>123</b>	<b>46</b>	<b>145</b>	<b>7</b>	<b>32</b>	<b>10</b>	<b>3</b>	<b>1388</b>

3.6 Figure 2 above shows the number of licensed gambling *activities* undertaken by licensed operators. Note that one operator might undertake a number of activities in reliance on their licence(s) (e.g. an operator might hold a non-remote licence that permits three separate licence activities such as bingo, adult gaming centre and betting; or an operator may hold two licences (both a non-remote and a remote licence) with various licence activities on each licence).

3.7 As of February 2016 there were 2,931 licensed operators to which 3,525 licences had been issued (i.e. a non-remote and/or a remote licence). There were 4,276 separate licence *activities*<sup>7</sup> undertaken by those operators in reliance on their licences.

<sup>7</sup> Excluding ancillary licences.

- 3.8 For financial year 2014/15 onwards, the increase in the number of remote licensed activities reflects the introduction of the 2014 Act and the licensing of overseas operators that transact with British consumers.

### **The volume and complexity of compliance and enforcement casework**

- 3.9 Compliance work among licensed operators remains the Commission's largest area of activity and expenditure and it will need to continue to devote significant resources to ensuring that operators provide facilities for gambling in accordance with the licensing objectives. Its work includes both proactive compliance, predominantly among the highest impact operators and organisations, and also reactive compliance work. Another key element of the Commission's functions is the prevention of unlicensed gambling activity and pursuing enforcement action where appropriate. The effective policing of the licensed/unlicensed boundary protects the interests of the public and the legitimate activity of regulated operators.

### **Policy development, including legal and technical considerations**

- 3.10 As part of its statutory functions, the Commission has a duty to provide advice to the Secretary of State on matters relating to gambling and a duty to provide guidance to local licensing authorities on the exercise of their functions under the Act and the principles to be applied. The Commission works closely with stakeholders including government departments, operators, industry representative bodies, licensing authorities, other regulatory and law enforcement bodies (particularly in respect of sports betting integrity) and charities.
- 3.11 The Commission continues to maintain and improve the regulatory framework through, for example, revisions to licence conditions and codes of practice, technical standards or testing strategies, respond to new challenges to the licensing objectives that may be presented by new initiatives or business models, and provide advice to the Secretary of State on a range of gambling-related matters.
- 3.12 The main areas of proposed activity in respect of these key cost drivers are discussed below, within the framework of the Commission's strategic objectives.

### **Description of Gambling Commission activities by strategic objective**

- 3.13 The Commission supports its aims and objectives by aligning its activity to certain strategic objectives. Its activity and expenditure, and the key areas where the Commission expects a continuing need to allocate its resources, are discussed below under each of the Commission's strategic objectives:
- **Build partnerships and understanding, both domestically and internationally:** driving effective and productive working relationships with Government and other partners on gambling and its regulation.
  - **Raise standards across all gambling sectors:** ensuring the gambling industry puts the licensing objectives at the heart of everything it does and helps to raise industry standards. This ensures safe and fair play for consumers and wider public confidence in the integrity of markets.

- **Empower and protect consumers:** empowering consumers to make informed choices, to manage the risks of gambling, and to resolve disputes when things go wrong.
- **Improve regulation:** promoting excellence by supporting the delivery of the Commission's objectives through an engaged and efficient workforce, using soft and hard powers to achieve good consumer outcomes while allowing operators to innovate and compete.

### **Build partnerships and understanding, both domestically and internationally**

3.14 This objective encompasses the Commission's activity in driving effective and productive working relationships with Government and other partners on gambling and its regulation, to ensure stakeholders are confident in the way gambling is regulated. Key areas where the Commission expects a continuing need to allocate its resources in relation to this objective include:

- The delivery of the **Sport Betting Integrity Action Plan**. The betting integrity programme is committed to contributing to international collaborations with overseas gambling regulators, law enforcement and sports governing bodies.
- **Providing advice to the Secretary of State**. The Commission is the principal source of advice on the regulatory implications of changes to policy and their impact on the licensing objectives.
- **Publication** of industry statistics and licensing authority statistics, as well as gambling participation and prevalence data.
- Developing approaches to **shared regulation** and continuing to build effective relationships with local authorities.
- Routine activity in this area also includes providing advice and guidance through the Commission's contact centre, which handles around 50,000 calls and emails per annum.

### **Raise standards across all gambling sectors**

3.15 The objective of raising standards across all gambling sectors encompasses the Commission's compliance work in the regulated sector, ensuring that key regulatory risks are managed by licensees, and the prevention of unlicensed gambling activity. The Commission expects a continuing need to allocate resources to the following:

- Monitoring **high impact operators** in their delivery of the licensing objectives, through corporate evaluations and the annual assurance statement.
- Ensuring **licensees are able to assess and mitigate risks** (such as money laundering and social responsibility controls). The Commission will investigate areas of thematic weakness.
- The large **reactive element of the betting integrity programme**, where the Sports Betting Integrity Unit (SBIU) needs to act on reports quickly to achieve the most effective risk-reduction outcomes. Reports received by the SBIU have increased by over 50% since the implementation of the 2014 Act and as the Commission continues to build its stakeholder networks with the newly-licensed operators, it is expected that volumes will continue to increase.

- Ensuring that **innovation in the gaming machines sector** remains compliant with regulations and technical standards, particularly in the context of increasing convergence between the non-remote and remote spheres.
- Monitoring the ongoing performance of operators' controls to **prevent underage gambling**.
- Preventing **unlicensed gambling activity**. For example, remote businesses offering gambling facilities to British consumers without an operating licence, the unlicensed supply of gaming machines and unlawful lottery promotions.
- Raising standards through the **development and maintenance of the regulatory framework**, including:
  - Ensuring the regulatory framework that governs the environments in which gaming machines are made available remains appropriate.
  - Regulatory changes which need to be implemented further to LCCP consultations, for example the consultation on the prevention of gambling-related crime, and compliance with those changes monitored.
  - Continued work to keep money laundering out of gambling, including developing the Commission's approach to compliance and risk assessments.

### **Empower and protect consumers**

3.16 The Commission aims to empower consumers to make informed choices, to manage the risks of their own gambling and ensure that consumers are protected from gambling-related harm, while recognising that gambling is a mainstream leisure activity. As part of this objective, it seeks to ensure that operators take reasonable precautions to identify vulnerable individuals if they attempt to gamble and to prevent self-excluded individuals from gambling. It also seeks to ensure that consumers have a positive perception of gambling as fair and trusted and are able to make informed gambling decisions.

3.17 The Commission considers that it will need to continue to devote resources to the following policy areas:

- Ensuring that the industry continues to drive forward its performance on social responsibility, including:
  - The provision of information to players to assist them in managing their gambling effectively and to help them avoid harm. This will involve continued work with operators and industry representative bodies, for example in the trialling and evaluation of different ways of providing players with information about responsible gambling, the products they use and their own play.
  - The continuing development and delivery of multi-operator self-exclusion channels.
  - Assessments of operators' performance in respect of their policies and procedures for customer interaction.
- Working with **RGSB and the RGT** to develop understanding of gambling-related harm and effective means of tackling it, including support for the Trust's research strategy.
- Further work on the implementation of the **alternative dispute resolution (ADR)** process.
- Policy work around 'unfair terms' in light of the enactment of the Consumer Rights Act 2015.
- The development and monitoring of enhanced compliance and reporting requirements for remote operators, in respect of the **protection of players' funds**.



- Strengthening industry and consumer confidence in the regulation of gambling **marketing and advertising**.

### **Improve regulation**

3.18 The Commission aims to ensure it is considered internationally as an example of regulatory excellence, while delivering a regulatory framework that allows for innovation and growth. The Commission's corporate enabler and support functions are key in delivering this objective; in particular, its IT infrastructure and operations and its HR, finance and internal communication services. Other key areas where the Commission expects to allocate resources in relation to this objective include:

- Adopting Better Regulation initiatives being developed by Government, in particular the Enterprise Act 2016, which will require regulators such as the Commission to be more transparent about the impact of regulatory provisions on the industry they regulate.
- Ensuring that the fee structure for operating and personal licences remains fair and proportionate.

### **Implication for costs**

3.18 This chapter sets out the Commission's expenditure assumptions which informed the proposals. A review of the Commission's operational costs has confirmed that while its overall costs have increased with the extension of its statutory functions since the 2014 Act, its current and projected expenditure profile shows that its income from licence fees is, and will continue to be, in excess of its operational costs. The licensing of overseas operators has therefore created an increase in income without a directly proportionate increase in costs. In addition, the Commission has also achieved efficiencies in its costs and plans to deliver additional efficiencies that will further reduce its overall expenditure.

### **Efficiencies**

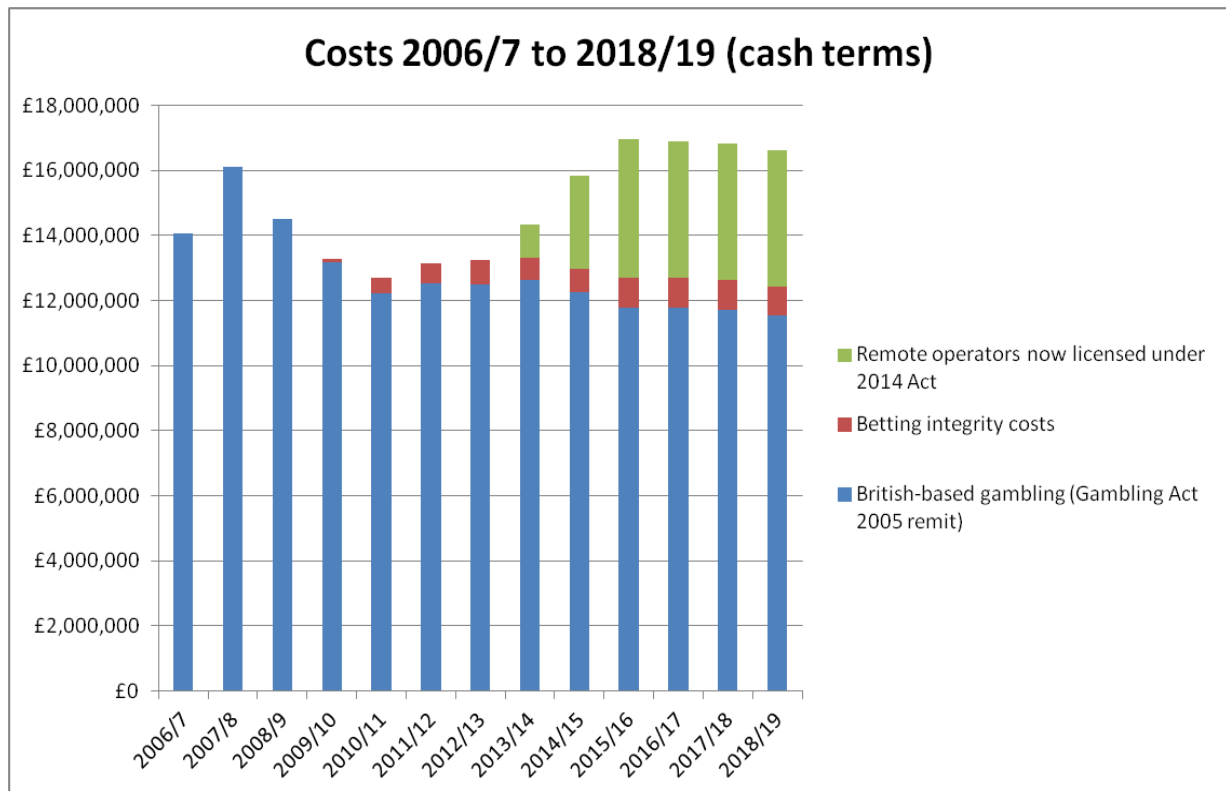
3.19 The Commission has delivered efficiency savings on its expenditure of almost 8% in real terms over the period 2012/13 to 2015/16, and it is planning to deliver further efficiency savings of 5% in real terms between 2016/17 and 2018/19. These savings would be realised from the following:

- Its investment in information technology, both internally and externally-facing, and information management has allowed the Commission to streamline various processes, including for example the receipt and processing of licence applications and the collection and validation of regulatory data submitted by licensees. These efficiencies will contribute to the overall reduction in annual fees, but, in respect of the introduction of online application services, will also enable the reduction of licence application fees by 10% in cash terms. The 10% reduction will be applied to all operating licence application fees, and given that application fees have been held since 2009, this would represent a significant reduction in real terms.
- While the number of licensees has increased since the introduction of overseas remote operators into the licensing regime, the Commission's central corporate costs

have not increased commensurately. This has enabled the Commission to spread its overhead costs over the wider licensee base.

- The Commission has continued to provide support to local authorities with a corresponding reduction in visits made by Commission staff to smaller operators' premises.
- Further synergies continue to be exploited since the merger with National Lottery Commission, enabling the Commission to spread the cost of its support services across these functions.
- Links with other regulatory and enforcement bodies have continued to be established to improve information sharing. This is an area where the Commission is considering how it can build on this efficiency even further in the future.

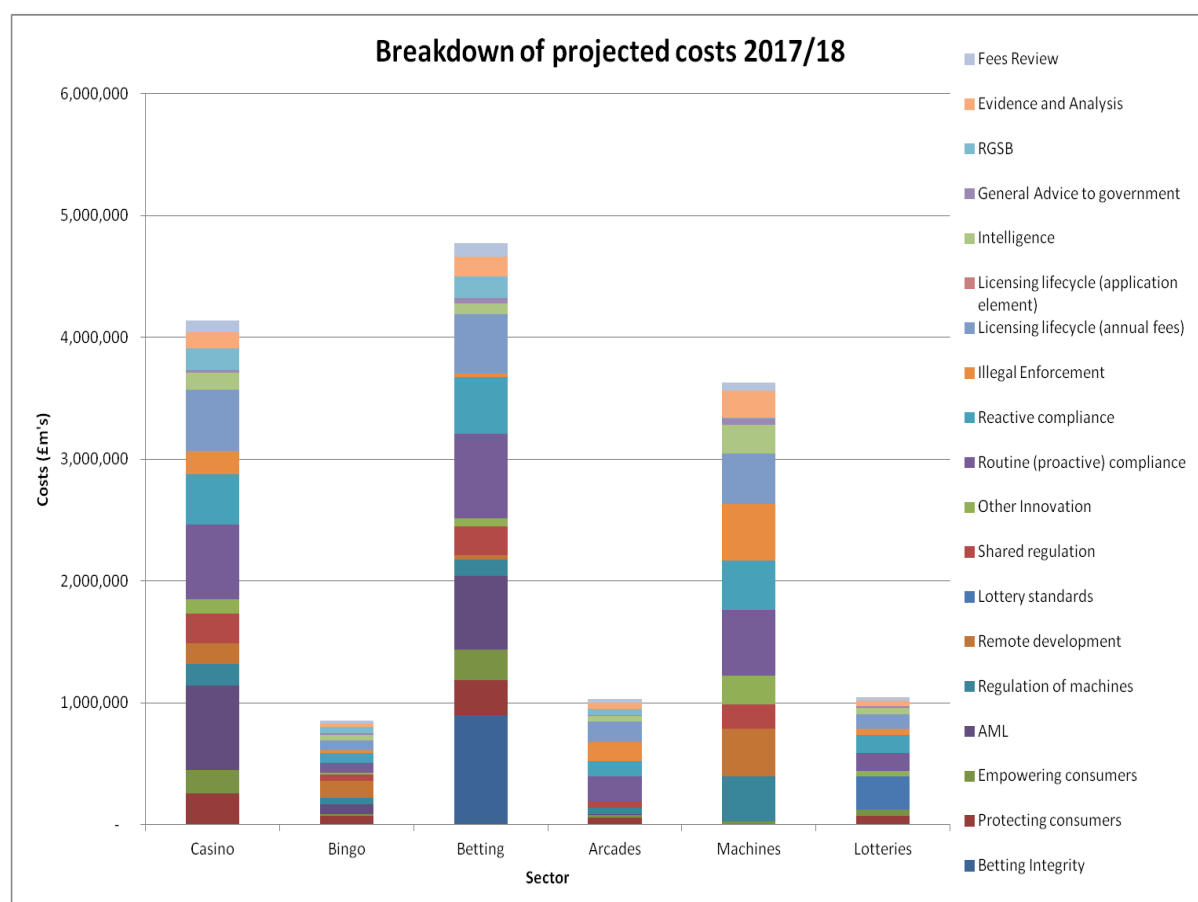
**Figure 3: Gambling Commission costs (cash terms)**



3.20 The costs in Figure 3 included, until 2010/11, grant-in-aid annually from DCMS (£608,000 in 2008/09, £545,000 in 2009/10 and £481,000 in 2010/11) to fund gambling prevalence studies. The Commission now funds gambling prevalence survey work itself through licence fees after grant-in-aid was ceased.

3.21 As indicated at Figure 3, the Commission expects its costs in relation to British-based gambling, remote regulation and betting integrity to all decrease marginally in cash terms over the next few years, therefore representing an overall 5% real-terms efficiency by 2018/19.

Figure 4: expected costs by sector 2017/18



## Implications for fees

3.22 The changing nature and focus of the Commission's workload since the implementation of the 2014 Act means that the fees charged to operators need to be revised, to avoid the over-recovery of regulatory costs from operators in certain licence types and fee categories. In summary, the reductions in annual fees would be realised from:

- The efficiencies the Commission will achieve in its operating costs as described above, alongside the spreading of some of its corporate costs (e.g. HR and Finance functions) across the larger population of operators it regulates since the 2014 Act.
- Fewer costs being recovered from those operators with relatively low volumes of gambling activity, to ensure that the recovery of certain costs through fees is more in line with the GGY generated by operators (while fee increases would be limited to those operators from whom it is necessary to recover a greater amount of certain regulatory costs i.e. so that cost recovery is proportionate to the GGY generated by those operators).

3.23 The proposals for changes to annual fees (set out in full in Chapter 4) would deliver an overall reduction in annual fees by around £1.7m in cash terms, representing a 10% overall reduction on current annual fees income. We expect around 1,900 operators to receive a fee reduction, around 1,000 operators to have their fees held at current levels,

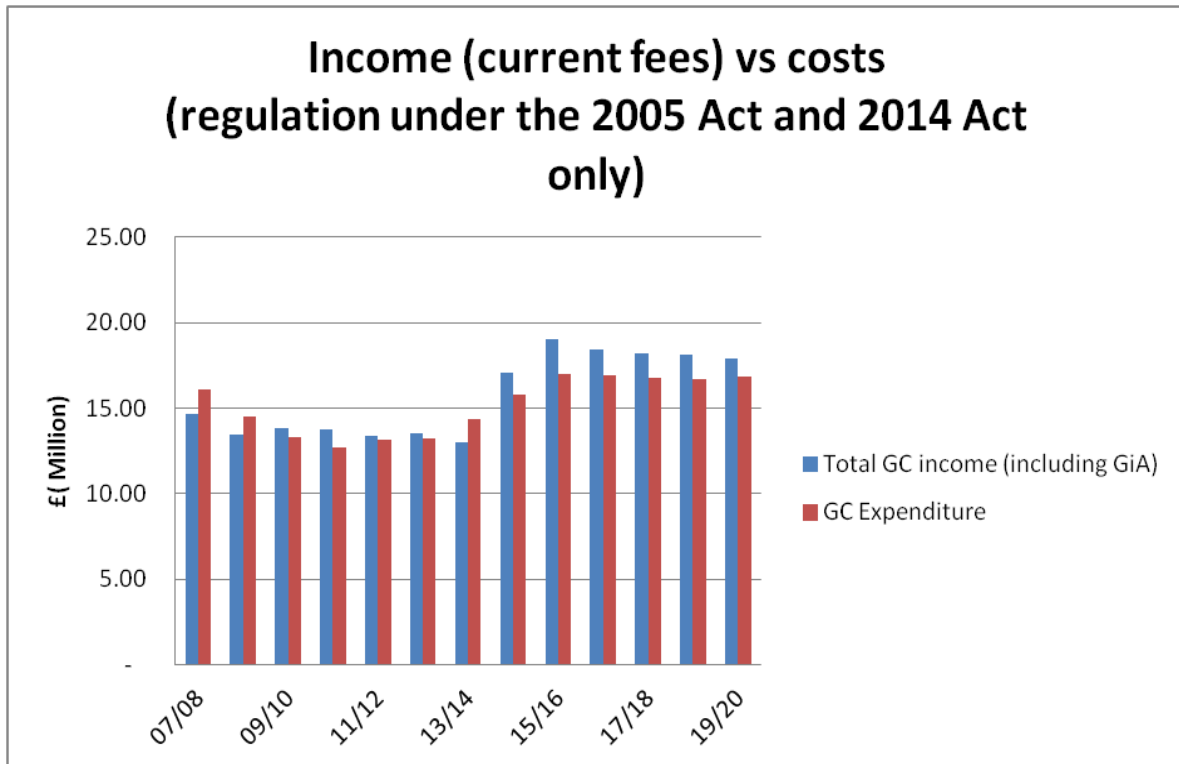
and around 100 operators to receive an increase in fees. Where fees increase, this will be a result of one or more of the following:

- Where the costs to be recovered through fees exhibit very few economies of scale, the realignment of cost recovery to ensure that fees are set more proportionately in relation to the volume of gambling generated by operators. In particular, the Commission's cost profile for the regulation of remote gambling has developed since remote fee levels were first set in 2007, with the fixed cost element for each operator reducing but with a greater focus on thematic cost areas (for example, betting integrity) which should be recovered more in proportion to GGY. As such, while the proposals would provide fee reductions for the smallest remote operators, a small number of the very largest operators would receive significant increases.
- Similarly, some of the very largest of B2B licensees (gaming machine and gambling software manufacturers) may receive fee increases where it is proposed that the Commission's cost recovery is aligned more proportionately with the value of sales. While B2Bs do not generate gambling yields (as they are not customer-facing providers), many of the Commission's costs are driven by the volume and market value of the gambling products developed and supplied by those businesses.
- The proposal to redefine non-remote fee categories from premises-based bands to GGY-based bands. We anticipate that around 70 operators who are currently in one of the smaller premises-based fee categories would move into a higher GGY-based fee category under the proposals. These would be operators which have only a small number of gambling premises but a relatively large GGY. Higher fees for those operators would ensure that a fairer proportion of regulatory costs are recovered from businesses which generate larger volumes of gambling. Conversely operators with many premises but relatively small GGYs will find themselves in a lower GGY-based category and may receive significant reductions.

### **The Commission's reserves profile**

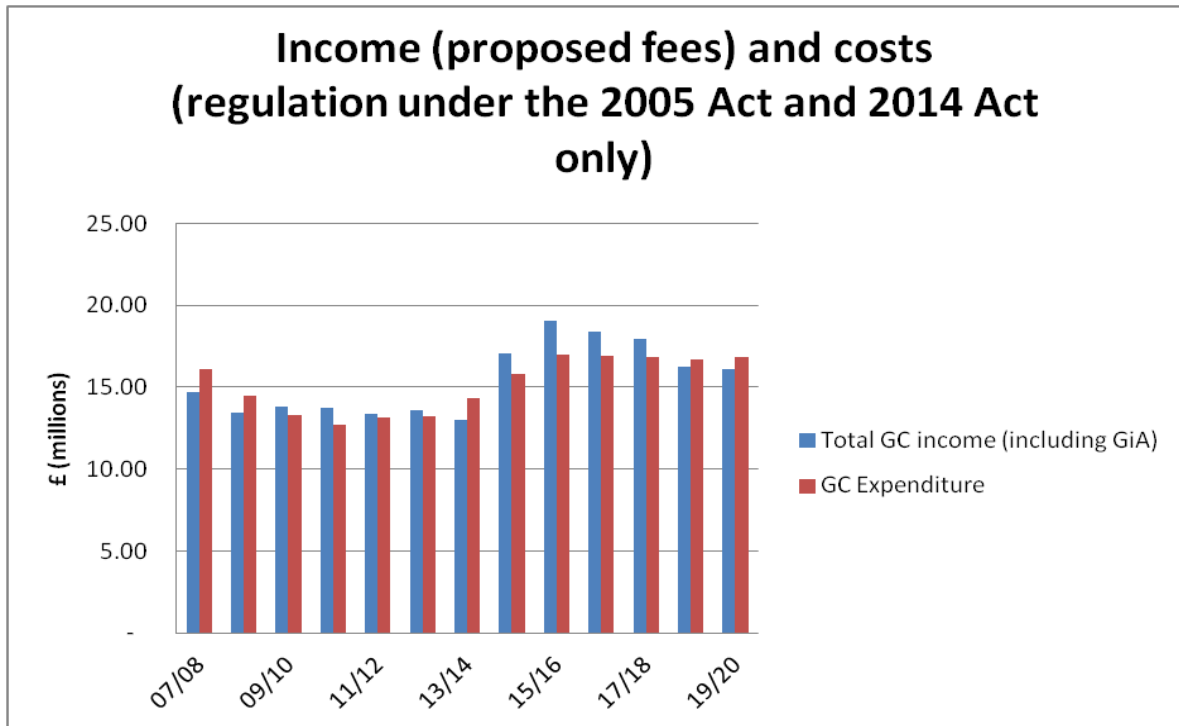
3.24 As indicated in Figure 6 below, the proposals to reduce overall fee income by 10% would mean the Commission's year-on-year expenditure would be greater than its income, from the year 2018/19. As a result of the Commission's income being in excess of its operational costs in previous financial years, it has now accumulated surplus reserves from which it can fund future expenditure. Reducing its fee income by 10% overall, in the context of the further efficiencies it plans to deliver, will enable the Commission to operate its budget below its level of operational costs and reduce its level of reserves to a prudent minimum position. The proposals would therefore mean that the Commission operates temporarily below a cost-recovery target of fee income.

Figure 5: historic and projected income and costs (excluding the National Lottery) if current fee levels were to remain unchanged<sup>8</sup>



<sup>8</sup> These figures incorporate approximately £450,000 costs (and income) in relation to personal licences. "GiA" is grant-in-aid.

Figure 6: historic and projected income and costs (excluding the National Lottery) if fee levels were to be amended as proposed



## Chapter 4: Fees Proposals

- 4.1 The chapter provides a brief overview of the approach to allocating different types of the Commission's costs to gambling sectors, licences and to fee categories. It provides full details of our proposals for changes to fees which includes the proposals for changes to annual fees by licence and fee category, outlines the licence types for which no changes are proposed, and also provides details of proposals for new types of licence and fee reductions in certain specific circumstances. It also outlines alternative options of making no changes to fees at this time, and a standard 10% decrease for all operators. We would welcome responses from stakeholders.

### Background

- 4.2 The last review of the Commission's fees resulted in changes coming into effect in 2012<sup>9</sup>. These changes included the sub-division of some fee bands to ensure cost recovery was spread proportionately among differently-sized operators.
- 4.3 Further sub-division at the smaller end of some fee bands is needed as it is important to ensure that costs are recovered proportionately among the population of smaller operators with varying levels of GGY. The sub-division of smaller fee bands would enable lower fees for the smallest fee categories, which in turn would help to reduce barriers to the smallest businesses entering the market and reduce barriers if small businesses grow. The increase in the incidence of licence variations that would be a consequence of a greater number of fee categories would be addressed by reducing relevant variation fees.

### The approach to setting fee levels and how fees are structured

- 4.4 The previous chapter explained the Commission's projected levels of costs that it will need to recover from licensed operators over future financial years. From its overall cost-recovery target, the Commission must allocate its costs to the different gambling sectors, to individual licence types and then to fee categories, in order to arrive at the fee levels for operators of different types and size through which those regulatory costs will be recovered. The methodology of cost allocation is described in more detail in Chapters 5 and 6 of the [Commission's fees discussion paper](#) of 2015, but a short summary is presented here.
- 4.5 The Commission has analysed costs down to the level of detail at which they can be mapped directly to the sectors and licence types to which they relate. For example, the bulk of regulatory costs associated with match-fixing and sports betting integrity will be allocated towards those providing fixed-odds betting. However, a smaller proportion of such costs will also be recovered from pool betting operators, given that they would

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<sup>9</sup> In 2012, fees were decreased by around 7% for many premises-based smaller operators, with larger operators receiving fee increases to recover the Commission's increasing costs on thematic regulatory work, for which there are very few economies of scale available.



benefit from the protection against the fixing of matches on which their customers bet. No betting integrity costs would be recovered from those offering virtual event betting; costs in relation to compliance with remote technical standards, for example, would be recovered in part from such licensees.

- 4.6 For the Commission's common costs and overheads (e.g. corporate affairs and communications, common IT infrastructure), the Commission will make direct allocations to sectors and licence types where those costs can be readily attributed to those cohorts of licensees. For other areas such as the finance function, the Commission has given careful thought to what percentage split between sectors might be appropriate, having regard to the estimated relative levels of attention and work devoted to them.
- 4.7 For many items of expenditure, for example those that provide a benefit to the generality of operators or to sub-sets of operators (e.g. thematic areas of regulatory work such as betting integrity and anti-money laundering, or enforcement against unlicensed operators, which helps to preserve a level playing field for licensed operators and strengthens consumer confidence in the licensed sector), the Commission will allocate costs *within* licence types pro-rata to GGY (or other more appropriate metric such as gross value of sales for B2B licensees, working days for track bookmakers, proceeds for lotteries).
- 4.8 While many of the Commission's costs can be spread proportionately in relation to GGY once they are allocated to the appropriate sectors and licence types, many other costs do not vary directly with the size of the operator and there are considerable economies of scale to take account of. For example, its costs in relation to proactive compliance work. Conversely, some compliance and thematic costs may be driven by raising standards among smaller and medium-sized operators. Such costs are *disproportionate* to the size of operators' businesses and economies of scale must therefore be taken into account.
- 4.9 Lastly, there are also certain minimum costs of regulating an operator. These include the basic costs of keeping information up to date, monitoring performance and maintaining the capacity to deal with queries and complaints, collecting fees etc. Larger operators tend to be more complex organisations generating more work in terms of, for example, dealing with key events and changes in key posts. However, these costs set a floor to any annual fee even if no active compliance work was undertaken or contribution expected to thematic costs.

## Proposals

4.10 The proposed changes to fees are summarised as follows:

- Fee reductions for most operators to reflect efficiencies in the Commission's operating costs, the spreading of many of its costs across the larger population of operators since the 2014 Act was implemented, and to ensure that the recovery of certain costs in relation to the volume of gambling remains proportionate.
- Fee increases for fewer than a hundred operators, to ensure that certain costs are recovered on a basis which is more proportionate to the volume of gambling conducted with them.

- Change the 'unit of division' by which fee categories are defined from 'number of premises' to GGY for several non-remote licence types, including: general betting standard, adult gaming centre, family entertainment centre and bingo. It is also proposed that the unit of division for the Casino 2005 Act operating licence is changed from 'nature of the premises licence' (small or large) to GGY.
- Sub-divide a number of fee bands, in particular at the smaller end of those bands (i.e. some non-remote fee categories A and B, and some remote fee categories F and G), to spread regulatory costs more fairly across differently-sized smaller operators and to smooth the transition from one fee band to the next.
- Sub-divide some of the largest fee bands (e.g. machine technical and gambling software) and add 'fee formulae' at the highest fee category of some licences, to ensure an equitable recovery of costs when larger operators expand, merge with or acquire smaller businesses.
- Reduce variation fees for operators when they cross a fee band. Operators would pay a variation fee of £25 to increase their fee category rather than the current requirement of paying 20% of the usual application fee.
- Introduce a new type of remote operating licence for B2B software providers that host their own remote casino and bingo games through another remote casino or bingo operator and where the B2B does not contract with any customers. Such B2B providers will still need to hold a gambling software operating licence for the manufacture of their games, but would require the new operating licence rather than a 'full' remote casino or bingo operating licence, as per current arrangements.
- Expand the scope of the existing gaming machine technical and gambling software ancillary operating licence to allow operators to supply game software via File Transfer Protocol (FTP) or email (up to a limit of £50,000 sales per annum in reliance on the ancillary, and in circumstances where the operator's gross value of sales in reliance on their non-remote licence exceeds the value of sales through email or FTP).
- Smaller 'market entry' fee categories for the remote gaming machine technical software and gambling software operating licences.
- Reduced fees for changes of corporate control when shares are transferred to a family member by a small family-owned limited company.

4.11 It was noted in the 2009 consultation that, once the Commission had access to sufficiently reliable data, basing fees on GGY would be the most appropriate method for accurately recovering regulatory costs from most operators. This, along with the details of those fee bands which would be sub-divided, is explained throughout the rest of this chapter.

4.12 Sub-dividing fee bands creates narrower fee categories which would link associated costs and fees more closely than the current banding. The changes to the bands would result in a reduction in fees for most smaller operators.

4.13 The proposed changes to fee bandings which are described below therefore affect the following:

<b>Non-remote licences</b>	<b>Remote licences</b>
<p>General betting standard (move to GGY: bands A and B split into further sub-bands)</p> <p>General betting standard (no gaming machines) (move to GGY: bands A and B split into further sub-bands)</p> <p>Bingo (move to GGY: bands A and B split into further sub-bands)</p> <p>Adult Gaming Centre (move to GGY: bands A and B split into further sub-bands)</p> <p>Family Entertainment Centre (move to GGY: bands A and B split into further sub-bands)</p> <p>Casino 2005 Act (move to GGY: the fee categories will have the same 'band widths' as the existing Casino 1968 fee categories)</p> <p>Sub-division of fee category D for the Casino 1968 Act licence (in order to smooth the fee jumps between existing fee categories C and D).</p> <p>Gaming machine technical and gambling software licences – sub-division of fee category C into further bands.</p>	<p>Remote casino, bingo and virtual event betting (the GGY threshold of category F will be raised from £500,000 GGY to £550,000, and the threshold of category G from £5m to £5.5m. Fee category G will also be split into two smaller bands).</p> <p>Remote general betting standard (real events) licence (sub-division of category F into three smaller bands and category G into two smaller bands)</p> <p>Remote betting intermediary (as above for real event betting).</p> <p>Pool betting (the threshold for the current category G will be raised from £5.5m to £7.5m. Category G will be split into two smaller bands, as will Category H.</p> <p>Gaming machine technical and gambling software licences – sub-division of fee category H into further bands.</p> <p>There will also be a sub-division of fee category F for the remote gaming machine technical (software) and gambling software licences, to provide a lower market entry fee for very small software manufacture and supply businesses.</p>

## Detailed fee proposals

### Gross Gambling Yield as the unit of division for operating licences

- 4.14 Both the 2009 and 2011 fees reviews had flagged the option of replacing 'numbers of premises' with GGY as the main metric for the potential impact of operators on the licensing objectives and its associated licensing, compliance and enforcement costs. The Commission now has more reliable GGY data from operators than was available at these times. The proposed move from premises numbers would mean that the fee categories for over a thousand terrestrial operators would become defined by GGY. Remote operators, who are required to submit regulatory returns to the Commission on a quarterly basis, have had their fee categories defined by GGY from the outset.
- 4.15 Before any changes from this review of fees are implemented, the Commission will contact operators to advise them of the GGY-based fee category to which they will be allocated, and therefore provide an opportunity for each operator to confirm the GGY data submitted by them on their regulatory returns.
- 4.16 At this stage, operators are reminded that GGY should be calculated as follows:
- 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.
- 4.17 It is important for operators to remember that their GGY figure should incorporate all activities that are authorised by their licence. For example, arcades that offer facilities for prize gaming should include the GGY from prize gaming in their total figure, as well as their GGY from the gaming machines they offer. This also applies to other licences that are defined by different metrics, for example gaming machine technical licences that are defined by 'annual gross value of sales'. When calculating the annual gross value of sales, such licensees should include revenue from machine manufacture, distribution, supply plus profit share from sited machines as well as any revenue from other goods and services authorised by their licence including the adaptation, installation or repair of machines.
- 4.18 Operators are not expected to include the issue and use of free bets and bonuses in their GGY calculation, unless the customer has the unrestricted right to opt instead to receive cash equivalent to the value of such free bet or bonus.

## Non-remote operators - detailed fee proposals

### Non-remote general betting (standard)

4.19 The current fee banding for non-remote general betting standard licences uses number of premises as the unit of division. The table below sets out the proposed fee categories based on GGY and shows the proposed sub-division of the smaller fee bands. These sub-divisions would reflect better the costs of regulation and would smooth the jump in fees when smaller operators move between those bands. The proposed annual fees for each fee category are also shown in the table.

Current categories (number of licensed premises)	0 to 4		5 to 15			16 to 50	51 to 99
Current annual fees	£1,531		£6,894			£17,914	£45,426
Proposed categories (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
Proposed annual fees	£1,324	£1,477	£3,637	£4,300	£5,422	£12,758	£30,200

Current categories (number of licensed premises)	100 to 199	200 to 349	350 to 499	500 to 999	1000 to 1499	1500 to 1999	2000 to 2,499	2500 to 2,999	3,000 to 3,499
Current annual fees	£51,555	£113,960	£169,960	£244,960	£264,960	£284,960	£304,960	£329,960	£354,960
Proposed categories (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
Proposed annual fees	£46,633	£106,873	£193,573	£280,308	£372,145	£474,187	£576,228	£678,270	

### Non-remote general betting (standard) – no gaming machines

4.20 The same principles as described above are proposed for those general betting (standard) operators that do not offer gaming machines from their premises. The proposed sub-divisions of fee bands based on GGY, and the proposed annual fees, are set out below.

Current categories (number of licensed premises)	0 to 4		5 to 15			16 to 50
Current annual fees	1461		6582			16860
Proposed categories (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
Proposed annual fees	£1,224	£1,377	£3,537	£4,200	£8,417	£12,658

### Non-remote pool betting

4.21 The table below outlines the new proposed annual fees for non-remote pool betting operators.

Current categories (GGY)	Less than £550,000	£550,000 to £2.49m	£2.50m to £5.49m	£5.5m to £9.99m	£10m or greater
Current annual fees	£2,222	£2,879	£4,277	£6,477	£12,137
Proposed categories (GGY)	no change	no change	no change	no change	no change
Proposed annual fees	£1,910	£2,633	£4,106	£6,265	£13,054

## Non-remote bingo

4.22 The current fee banding for the non-remote bingo licence uses number of premises as the unit of division. The table below sets out the proposed fee categories for non-remote bingo licences based on GGY and shows the proposed sub-division of the smaller fee bands. These sub-divisions would reflect better the costs of regulation and would smooth the jump in fees when smaller operators move between those bands. The proposed annual fees for each fee category are also shown in the table.

Current categories (numbers of licensed premises)	0 to 4		5 to 15			16 to 50	51 to 99
Current annual fees	1531		£6,894			£17,914	£43,921
Proposed categories (GGY)	Less than £200,000	£200,000 to £749,999	£750,000 to £2m	£2m to £4m	£4m to £7.5m	£7.5m to £14m	£14m to £30m
Proposed annual fees	£1,322	£1,378	£3,055	£3,297	£3,708	£10,464	£23,395

Current categories (numbers of licensed premises)	100 or more			
Current annual fees	£95,840			
Proposed categories (GGY)	£30m to £125m	£125m to £300m	£300m to £500m	£89,269 plus £30,000 for every £200m of GGY above £500m GGY
Proposed annual fees	£41,080	£61,252	£89,269	

## Adult gaming centre

4.23 The current fee banding for adult gaming centre (AGC) licences uses number of premises as the unit of division. The table below sets out the proposed fee categories for AGC licences based on GGY and shows the proposed sub-division of the smaller fee bands. These sub-divisions would reflect better the costs of regulation and would smooth the jump in fees when smaller operators move between those bands. The proposed annual fees for each fee category are also shown in the table.

Current categories (number of licensed premises)	0 to 4		5 to 15			16 to 50	51 to 99
Current annual fees	£1,523		£6,297			£13,736	£32,505
Proposed categories (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
Proposed annual fees	£1,314	£1,370	£3,030	£3,247	£3,658	£10,314	£23,095

Current categories (number of licensed premises)	100 to 199	200 to 299	300 to 399	400 to 499
Current annual fees	£45,236	£50,236	£55,236	£60,236
Proposed categories (GGY)	£30m to £125m	£125m to £300m	£300m to £500m	£88,269 plus £25,000 for every £200m of GGY above £500m GGY
Proposed annual fees	£40,080	£60,252	£88,269	



## Family entertainment centre

4.24 The current fee banding for family entertainment centre (FEC) licences uses number of premises as the unit of division. The table below sets out the proposed fee categories for FEC licences based on GGY and shows the proposed sub-division of the smaller fee bands. These sub-divisions would reflect better the costs of regulation and would smooth the jump in fees when smaller operators move between those bands. The proposed annual fees for each fee category are also shown in the table.

Current categories (number of licensed premises)	0 to 4		5 to 15			16 to 50	51 to 99	100 or more
Current annual fees	£1,020		£4,562			£9,950	£26,124	£43,921
Proposed categories (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
Proposed annual fees	£1,000	£1,020	£2,680	£2,922	£3,333	£9,770	£19,193	£36,383

## Non-remote casino 2005 Act

4.25 It is proposed that the fee bands for operating licences issued for 2005 Act casinos will be defined by GGY rather than the current categorisation of 'premises size' (small and large). We also propose to introduce higher fees for any operator of a 2005 Act casino whose GGY exceeds £110 million, and introduce a formula at the highest end of the fees category, to ensure that the Commission can continue to recover its regulatory costs when businesses expand (for example, if several 2005 Act premises were opened by the same operating licence holder).

Current categories (size of premises)	Small		Large				
Current annual fees	£51,877		£108,132				
Proposed categories (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
Proposed annual fees	£46,659	£60,520	£105,110	£194,256	£352,026	£452,837	

### Non-remote casino 1968 Act operating licences<sup>10</sup>

4.26 It is proposed that the fee banding for the casino 1968 Act licence type will be subdivided at the higher end (fee bands D and E) to ensure that costs are recovered on a proportionate basis from operators, and in particular, to smooth the fee jump between fee categories C and D.

Current categories (gross gaming yield)	Less than £5.5m	£5.5m to £27.5m	£27.5m to £110m	£110m to £275m	Greater than £275m		
Current annual fees	£17,378	£23,112	£74,112	£329,711	£443,526		
Proposed categories (gross gambling yield)	no change	no change	no change	£110m to £200m	£200m to £300m	£300m to £400m	£400,586 plus £100,000 for every
Proposed annual fees	£16,714	£22,440	£71,943	£167,256	£324,704	£400,586	£150m of GGY above £400m GGY

### Detailed fee proposals - gaming machine technical (GMT) and gambling software operating licences (non-remote and remote)

4.27 A gaming machine technical operating licence is required in the following circumstances:

- Gaming machine technical (full) licence – allows the licensee to manufacture, supply, install, adapt, maintain or repair a gaming machine or part of a gaming machine.
- Gaming machine technical (software) licence – allows the licensee only to manufacture, supply, install or adapt software for a gaming machine.
- Gaming machine technical (supplier) licence – allows the licensee only to supply, install, adapt, maintain or repair a gaming machine or part of a gaming machine.

4.28 The proposed fee structures for the gaming machine technical and gambling software licences are featured below. They contain the following proposed adjustments

- Re-banding at the larger end of all such licence types to ensure that the Commission does not under-recover costs from operators that either increase in size beyond the scale of the existing band, or that merge with or subsume other entities; the new bands would therefore allow the Commission to recover the increased regulatory costs generated by the larger entity.
- Re-banding at the smaller end of the remote GMT (software) and gambling software licence to take account of those very small businesses that are seeking to enter the market.
- Fee reductions for all smaller and medium-sized operators covered by these licences.

<sup>10</sup> These licences were originally issued under the Gaming Act 1968 but following a process of conversion are now regulated by the Gambling Act 2005

### Non-remote gaming machine technical (full) licence

Current categories (gross value of sales)	Less than £550,000	£550,000 to £6.6m	£6.6m or greater		
Current annual fees	£3,102	£6,625	£15,813		
Proposed categories (gross)	no change	no change	£6.6m to £26.4m	£26.4m to £50m	£50m or greater
Proposed annual fees	£2,722	£5,152	£14,039	£25,927	£39,239

### Remote gaming machine technical (full) licence

Current categories (gross value of sales)	Less than £550,000	£550,000 to £6.6m	£6.6m or greater		
Current annual fees	£6,765	£19,063	£37,006		
Proposed categories (gross value of sales)	no change	no change	£6.6m to £30m	£30m or greater	
Proposed annual fees	£6,426	£18,866	£34,295	£53,587	

### Non-remote gaming machine technical (supplier) licence

Current categories (gross value of sales)	Less than £550,000	£550,000 to £6.6m	£6.6m or greater		
Current annual fees	£1,258	£3,397	£4,338		
Proposed categories (gross)	no change	no change	£6.6m to £26.4m	£26.4m to £50m	£50m or greater
Proposed annual fees	£1,186	£3,034	£4,406	£9,507	£15,554

### Remote gaming machine technical (supplier) licence

Current categories (gross value of sales)	Less than £550,000	£550,000 to £6.6m	£6.6m or greater
Current annual fees	£6,765	£19,063	£37,006
Proposed categories (gross value of sales)	no change	no change	no change
Proposed annual fees	£5,360	£16,801	£28,449

### Non-remote gaming machine technical (software) licence

Current categories (gross value of)	Less than £550,000	£550,000 to £6.6m	£6.6m or greater		
Current annual fees	£1,608	£4,044	£6,575		
Proposed categories (gross)	no change	no change	£6.6m to £26.4m	£26.4m to £50m	£50m or greater
Proposed annual fees	£1,528	£3,876	£6,351	£14,703	£24,057

### Remote gaming machine technical (software) licence

Current categories (gross value of sales)	Less than £550,000		£550,000 to £6.6m	£6.6m or greater	
Current annual fees	£6,765		£19,063	£37,006	
Proposed categories (gross value of sales)	Less than £200,000	£200,000 to £550,000	£550,000 to £6.6m	£6.5m to £30m	£30m or greater
Proposed annual fees	£3,748	£5,798	£17,803	£28,867	£49,219

### Non-remote gambling software licence

Current categories (gross value of)	Less than £550,000	£550,000 to £6.6m	£6.6m or greater		
Current annual fees	£1,608	£4,044	£6,575		
Proposed categories (gross)	no change	no change	£6.6m to £26.4m	£26.4m to £50m	£50m or greater
Proposed annual fees	£1,528	£3,876	£6,351	£14,703	£24,057

## Remote gambling software

Current categories (gross value of sales)	Less than £550,000		£550,000 to £6.6m	£6.6m or greater	
Current annual fees	£6,765		£19,063	£37,006	
Proposed categories (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
Proposed annual fees	£3,748	£5,798	£17,803	£28,867	£49,219

## Remote operating licences - detailed fee proposals

### Remote general betting standard (real events) and remote betting intermediary licences

4.29 It is proposed that the fee categories for the general betting standard (real events) and the remote betting intermediary licences are re-banded at the lower end, with lower fees for the smallest operators and fee increases for larger operators. The proposed changes to annual fees would reflect a much more proportionate recovery of certain regulatory costs in relation to GGY. Re-banding at the lower end of these licence types with reductions in fees for smaller operators will help to reduce barriers to entry and business expansion.

Current categories (GGY)	Less than £5.5m			£5.5m to £55m		£55m to £110m
Current annual fees	£13,529			£38,128		£48,893
Proposed categories (GGY)	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £15m	£15m to £55m	no change
Proposed annual fees	£3,408	£8,666	£10,023	£33,119	£46,687	£75,227

Current categories (GGY)	£110m to £220m	£220m to £550m	£550m or greater	
Current annual fees	£74,012	£117,746	£155,425	
Proposed categories (GGY)	no change	no change	£550m to £1bn	£494,856 plus £200,000 for every £500m of GGY above £1bn GGY
Proposed annual fees	£137,453	£281,058	£494,856	

### Remote general betting (limited) licence for telephone and email betting only

- 4.30 It is proposed that the GGY threshold for this licence will remain at £550,000 before a remote general betting (standard) (real events) licence is required by such operators (this threshold was increased from £275,000 in 2012). It is proposed that the annual fee for this licence will reduce by over 8%, as shown in the table below.

Current category (GGY)	Less than £550,000
Current annual fee	£1,594
Proposed category (GGY)	no change
Proposed annual fee	£1,462

### Remote pool betting

- 4.31 It is proposed that some of the existing fee categories will be sub-divided to smooth the fee jump when operators cross fee bands. It is also proposed that there are fee reductions for the smallest pool betting operators and fee increases for larger operators, to ensure that certain regulatory costs are recovered more proportionately in line with the GGY generated by operators.

Current categories (GGY)	Less than £1.5m	£1.5m to £5.5m		£5.5m to £55m	
Current annual fees	£1,594	£13,529		£38,128	
Proposed categories (GGY)	Less than £1.5m	£1.5m to £3m	£3m to £7.5m	£7.5m to £15m	£15m to £55m
Proposed annual fees	£1,552	£10,357	£12,293	£22,436	£37,766

Current categories (GGY)	£55m to £110m	£110m to £220m	£220m to £550m	£550m or greater	
Current annual fees	£48,893	£74,012	£117,746	£155,425	
Proposed categories (GGY)	£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
Proposed annual fees	£58,252	£106,504	£248,509	£435,698	

**Remote casino, bingo, and virtual event betting (for business-to-customer operators only; new proposals below for B2Bs that provide facilities for gaming)**

4.32 Some small sub-divisions to the lower fee bands are proposed to smooth the fee jump when operators cross fee bands. It is also proposed that there are fee reductions for almost all operators, with fee increases for the very largest operators, to reflect a more proportionate recovery of certain regulatory costs in line with GGY generated.

Current categories (GGY)	Less than £500,000	£500,000 to £5m		£5m to £25m	£25m to £100m
Current annual fees	£3,188	£9,563		£13,529	£38,128
Proposed categories (GGY)	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £25m	no change
Proposed annual fees	£2,709	£6,488	£9,480	£13,307	£35,541

Current categories (GGY)	£100m to £250m	£250m to £500m	£500m or greater	
Current annual fees	£74,012	£117,746	£155,425	
Proposed categories (GGY)	no change	£250m to £550m	£550m to £1bn	£387,083 plus £125,000 for every £500m of GGY above £1bn GGY
Proposed annual fees	£68,146	£136,455	£387,083	

**Proposals for new types of licence and fee reductions in certain circumstances**

4.33 In addition to the proposed changes to the fees structure and to fee levels outlined above, we also propose other changes that would provide benefits to several operators, while ensuring that the Commission continues to recover its regulatory costs proportionately from different types of businesses that generate different regulatory costs. This chapter describes proposals for the creation of a new type of licence for certain B2B businesses, for changes to the remote ancillary licence for gaming machine and gambling software businesses, changes to variation fees and 'change of corporate control' application fees in certain circumstances and changes to fees when an individual applies to vary their licence as a result of that individual's name changing.

## Proposed new licence type for B2B software manufacturers/suppliers that also provide facilities for remote gaming

- 4.34 In its fees discussion paper the Commission outlined the current licence requirements for gambling software businesses (B2B providers) that, as well as manufacturing gambling software, also host their own games through other remote casino or bingo operators' platforms (i.e. through B2C operators' websites or apps). These arrangements require the B2B to hold, alongside a gambling software licence for manufacturing games, their own remote casino and/or bingo operating licence because, by hosting their games themselves, they are providing facilities for gambling.
- 4.35 The Commission had explained in its paper that while many regulatory costs will be common to B2B and B2C operators, it would consider whether there was a case for a different licence type for such B2B operators in certain circumstances. Respondents to the Commission's fees discussion exercise had stressed that, in relation to the provision of facilities for gambling, the 'game host' B2B does not have the same extent of responsibilities (in terms of the Commission's LCCP) as does a B2C remote operator.
- 4.36 For clarity, the relevant business models are summarised briefly below:
- B2C casino and bingo operators require the remote casino/bingo operating licence to provide facilities for gambling. The B2C operator will be responsible, for example, for the registration and verification of its own customers.
  - Under the 'traditional' model of software supply, a B2B will develop game software and supply that to B2C operators. Such B2Bs therefore need the gambling software operating licence but they do not play a part in the provision of gambling facilities directly to customers. The B2C will make that game software available for use by its own customers, and as such it is only the B2C that provides facilities for gambling. The B2B does not need a remote casino or bingo operating licence.
  - Another B2B operating model involves the B2B manufacturing games and hosting those games for the registered customers of B2C operators rather than supplying its software products to the B2C. That is, the customers can access the games via the B2C's website. The B2B operator in this model currently needs both the gambling software licence and also the remote casino or bingo licence because it provides facilities for gambling which are used directly by participants, albeit those participants are the customers of the B2C.
- 4.37 The Commission has considered the costs associated with regulating the types of business described above and the applicability of the LCCP to each, and has recommended that there is scope to introduce a new type of licence for B2B operators following the model in the third bullet point above. While it is essential that those businesses continue to hold a gambling software licence for the manufacture of gambling software, it is proposed that **game host** licences are introduced for B2B casino (and separately for B2B bingo) operators. These licences would attract lower fees than the current remote casino and bingo licences, which are more appropriate for the B2C model.
- 4.38 The proposal seeks to ensure that the new game host licences would be subject to the following conditions:
- The licences could only be held by businesses that fulfil the B2B operating model outlined above, in respect of the provision of casino or bingo games only.



- The B2B would still need to hold a gambling software operating licence for the manufacture of gambling software.
  - To ensure that the licence cannot be held by any B2B that also operates under the B2C model (i.e. those that contract with some, but not all, customers), the licence would be restricted by a condition that only permits the B2B to provide facilities for gaming in circumstances where they do not themselves contract with any participant or customer.
- 4.39 Where any of the conditions outlined above cannot be met, the B2B would instead need to hold the existing 'full' remote casino or bingo licence with all of the relevant LCCP that applies to those licences. For clarity, it is proposed that the new game host licences and the existing remote casino and bingo licences are mutually exclusive. Therefore, there would be no circumstances under which an operator would need, for example, *both* the 'full' remote casino and the game host (casino) licences. But where the B2B contracted with any participant, they would need to hold the 'full' casino or bingo licence rather than the proposed game host (casino) or (bingo) licences.
- 4.40 A B2B operator may fulfil the conditions above for a game host licence in respect of one type of gaming (e.g. casino gaming) but not in respect of the other (the provision of facilities for bingo). In those circumstances, the operator would be able to hold the remote game host (casino) operating licence but would need to hold the 'full' remote bingo operating licence. The existing discounts for holding multiple licence activities on a combined remote operating licence would continue to apply.
- 4.41 Where a B2B held both the game host (casino) and game host (bingo) licences, discounts would be provided along similar lines to the arrangements introduced in 2009 (whereby the total GGY for both casino and bingo games are combined to generate a single fee category applicable to both, and the additional complexity of regulating different types of game would be addressed by a fixed-rate additional fee).

**Proposed fees for B2Bs that host facilities for gaming - remote game host (casino) and remote game host (bingo) operating licences**

Current remote casino/bingo categories (GGY)	Less than £500,000	£500,000 to £5m		£5m to £25m
Current annual fees	£3,188	£9,563		£13,529
Proposed B2C casino/bingo categories (GGY)	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £25m
Proposed B2C casino/bingo annual fees	£2,709	£6,488	£9,480	£13,307
Proposed B2B casino/bingo categories (GGY)	Less than £550,000	£550,000 to £2m	£2m to £5.5m	£5.5m to £25m
Proposed B2B casino/bingo annual fees	£2,027	£4,855	£7,094	£9,958

Current remote casino/bingo categories (GGY)	£25m to £100m	£100m to £250m	£250m to £500m	£500m or greater	
Current annual fees	£38,128	£74,012	£117,746	£155,425	
Proposed B2C casino/bingo categories (GGY)	no change	no change	£250m to £550m	£550m to £1bn	£387,083 plus £125,000 for every £500m of GGY above £1bn GGY
Proposed B2C casino/bingo annual fees	£35,541	£68,146	£136,455	£387,083	
Proposed B2B casino/bingo categories (GGY)	no change	no change	£250m to £550m	£550m to £1bn	£289,652 plus £100,000 for every £500m of GGY above £1bn GGY
Proposed B2B casino/bingo annual fees	£26,595	£50,993	£102,108	£289,652	

**Additional fees for holding both licences:** where any operator holds both the game host (casino) and game host (bingo) licences, the composite fee category would be calculated by totalling the GGY from casino games and the GGY from bingo games, to arrive at a single fee category applicable to both. The additional fee for holding the second licence would be fixed (£785 application fee and £1,875 annual fee) irrespective of the composite fee category.

- 4.42 It is not proposed that the new game host licence would cover circumstances in which a B2B provides network facilities for peer-to-peer gaming, such as poker networks. While B2Bs do not contract directly with customers in those circumstances, they make arrangements for participants to play against each other and have particular responsibility for monitoring collusion and cheating across the network. As such, we consider that the regulatory costs involved with such network operators means that it is more appropriate for them to continue to hold the existing casino operating licence.
- 4.43 As part of introducing this new type of licence, it is of course important that the appropriate LCCP are applied to the licence. The Commission considers that while some of the LCCP relating to B2C casino and bingo operators will not apply to B2B game hosts, many of the responsibilities will remain relevant to both types of business model. Appendix A provides a list of the LCCP<sup>11</sup> that are currently applicable to B2C casino and bingo operators, and alongside, a list of the LCCP that the Commission proposes should be applicable to B2B game hosts under the circumstances described above.
- 4.44 As part of this consultation we are therefore welcoming comments on the proposal to introduce the new types of licence outlined above, and the relevant fees, by means of regulations that would be made by the Secretary of State and laid before Parliament. In conjunction, however, the Commission is keen to ensure that if any new licence was introduced, stakeholders are also consulted on the aspects of the current LCCP that would pertain to that new licence. The Commission is therefore welcoming comments on the LCCP outlined at Appendix A.

### **The supply of software via remote means: the Gaming Machine Technical and Gambling Software ancillary licence**

- 4.45 Businesses that manufacture gaming machine software or software in connection with remote gambling will often supply their products to B2C operators (e.g. retailers, online casinos) who in turn will make those games available on their own terminals or online platforms. As part of business protocols or contractual arrangements, the software manufacturers will often be required to supply their games to operators via remote means, for example by FTP. This would therefore require the supplier to hold a remote gaming machine technical or remote gambling software licence.
- 4.46 We have considered the concerns raised by stakeholders that the current lowest annual fee for such remote licences (£6,765) can be a barrier for small start-up businesses to enter the software markets and that such fee levels can be prohibitive for established businesses that only supply a small amount of software via remote means. Further, since 31 March 2015 it has been a requirement that remote B2C operators only use Commission-licensed software suppliers and this has led to a large number of additional gambling software licensees whose involvement in the gambling process varies considerably, thus imposing rather different risks to the licensing objectives and demands on the Commission.
- 4.47 Having reviewed the regulatory costs associated with software suppliers, the Commission is of the view that lower fee arrangements can be introduced for small business software providers that require relatively little Commission attention. As explained above, a new

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<sup>11</sup> [LCCP February 2015 \(updated April 2015\)](#).

entry-level fee band with a smaller fee of £3,748 is proposed for small businesses that generate relatively low volumes of sales by remote means.

- 4.48 However, to further assist small businesses, and consistent with the Commission's regulatory costs, it is also proposed that the scope of the **gaming machine technical and gambling software remote ancillary licence** be expanded (this licence currently only permits the supply of software by email) so that licensees who hold the relevant non-remote operating licence (see below) can supply software via **FTP** as well as by email, up to certain limits in annual sales. The ancillary licence attracts no annual fees as the compliance effort can be covered by the fee for the corresponding non-remote licence.
- 4.49 The gambling software and gaming machine technical remote ancillary licence can only be held by those operators who also hold the following:
- a non-remote gaming machine technical (full) operating licence,
  - a non-remote gaming machine technical (supplier) operating licence,
  - a non-remote gaming machine technical (software) operating licence, or
  - a non-remote gambling software operating licence.
- 4.50 To ensure that the activity undertaken in reliance on the remote ancillary licence remains a relatively small part of the software supplier's business, and remains consistent with the Commission's regulatory costs, it is proposed that the ancillary licence would only permit the supply of software via FTP or email as long as:
- a) The annual gross value of sales generated from the supply of software by non-remote means **exceeds** the annual gross value of sales from the supply of software by FTP or email.
  - b) In any case, the annual gross value of sales generated from the supply of software by FTP or email does not exceed **£50,000**.

Where the value of sales from FTP or email exceeds the value of sales in reliance on the non-remote operating licence, **or** where the licensee exceeds £50,000 sales from FTP or email, the licensee would need to apply for the 'full' remote operating licence instead of holding the ancillary licence.

### **Variation fees for increasing or decreasing licence fee categories**

- 4.51 Variation fees to increase the fee category of an operating licence are currently 20% of the usual application fee for the type of licence and fee category to which the variation relates. For example, if an operator with a general betting (standard) licence applied to vary that licence from category B to category C, they would pay £683.40; that sum being 20% of the fee that would usually be payable for a general betting standard category C licence (£3,417).
- 4.52 Having reviewed its costs in relation to such applications, and having taken into account the views expressed by stakeholders as part of the Commission's fee discussion exercise, it is proposed that applications to increase a fee category will attract only a **£25 variation fee**. A change of fee category will always result in the amendment of the relevant licence condition, so it will still be necessary for operators to submit applications to vary their operating licence in this regard.

### First annual fee discounts

- 4.53 At present, there is no first annual fee discount for holders of a remote operating licence (the first annual fee is the same amount as any subsequent annual fee). By contrast, holders of a non-remote operating licence receive a 25% discount on their first annual fee. Remote operators did not receive that discount in the original fees regulations as remote operators were then new to the regulatory regime and presented different regulatory challenges to non-remote businesses.
- 4.54 Where an operator holds *both* a non-remote and remote licence they will receive a 5% discount on the first annual fee for one of those licences. How that discount is calculated depends on which of the two licences is cheaper and which of the licences was issued first (that 5% discount is in addition to the 25% discount on the non-remote licence's first annual fee).
- 4.55 The Commission has considered its regulatory costs for remote operators in respect of first annual fees, and also the time involved in calculating fees for dual-licence discounts as described above. It considers that it would be more efficient to remove the 5% discount for dual-licence first annual fees from the fees regulations, given the time and costs involved in generating those calculations. But it is also proposed that newly-licensed remote operators would receive a 25% discount on their first annual fees, similar to the existing provision for non-remote operators. The introduction of the 25% discount would reflect efficiencies the Commission is able to achieve in the regulation of such operators in their first year.

### Annual fee discounts for holders of two operating licences

- 4.56 Currently, where an operator holds both a non-remote and a remote licence they will receive a 5% discount on their annual fee for one of these licences every year. How this discount is calculated depends on which of the two licences is cheaper and which of the licences was issued first. The Commission has considered the time and costs involved in calculating dual-licence annual fee discounts, and we propose to replace the current discount calculation with a much simpler one.
- 4.57 It is proposed that where an operator holds both a non-remote and a remote operating licence, a 5% annual fee discount will be applied to every licence activity on each of those licences. For simplicity, and to ensure that the discounts provided are consistent with the recovery of the Commission's regulatory costs, this 5% annual fee discount for dual licences will be applied instead of the annual fee discounts for combined licenses<sup>12</sup> (in circumstances where an operator holds dual licences). This new discount arrangement will therefore replace the current annual fee discount calculation for dual licences.
- 4.58 The Commission has calculated that all operators that currently hold both a non-remote and remote operating licence would receive a very marginal reduction in fees as a result

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<sup>12</sup> The separate and distinct annual fee discounts which are provided for either a combined non-remote operating licence or a combined remote operating licence. It is not proposed that there are any changes to the annual fee discounts for combined operating licences.

of the new simplified calculation, and the fees payable by those operators would still be sufficient for the Commission to recover its regulatory costs.

### **Change of corporate control fees - applications by small, family-owned businesses**

- 4.59 In its fees discussion paper the Commission outlined its preference to reduce fees for certain applications to continue a licence under s.102 of the Act, after a 'change of corporate control' has occurred, to ensure that fees payable better reflect the costs it incurs for such applications. The arrangements related to small scale, family-owned operators which have issued share capital as limited companies, when shares are gifted, transferred or allotted to an immediate family member who is unknown to the Commission, and the family member acquires 10% or more in shares. The current fee for such a scenario is 75% of the application fee (for activities authorised under the licence).
- 4.60 The Commission considers that a fixed fee of £100 should be payable, to take account of the relatively small workload necessitated by such applications, when all of the following criteria are met:
- The applicant (licensee) must be a private limited company.
  - The applicant must be (and after the change, remain) a small-scale operator as defined by the [Small-scale operator regulations](#) (2006).
  - The existing shareholders must be immediate family members of the new controller.
  - The new controller must not exercise any management function in connection with the licensed activities.
  - The new controller must not hold a higher percentage of the shares in the company than any other of the shareholders.

### **Variations to licences when an individual changes their name**

- 4.61 In view of the responses to its discussion exercise, the Commission has also given consideration to the fees payable to vary a licence when the licence holder has changed their name. In such circumstances, the licensee would have to pay £25 to vary their licence to ensure that it reflected the name change. Stakeholders have raised concern that it is, typically, women who have to apply for such variations as a result of their surname changing due to either marriage or divorce.
- 4.62 In light of these concerns, it is proposed 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<sup>13</sup>, will not incur any fee and the licence will be reissued with the amended name for free. Given the infrequency of variations to change the name of an individual, the Commission considers that the costs of such variations can instead be absorbed by the maintenance fees paid for the personal licence or the

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<sup>13</sup> Where that individual is named on the licence as holding a qualifying position (as defined in [the small-scale operator regulations](#)) in relation to the licensed activity, or where that individual is named on the licence as someone authorised to accept bets on behalf of the licensee, as per section 92(1)(b) of the Gambling Act.

annual fee paid for the operating licence. This would apply to any name change for any individual.

### **Ancillary remote operating licences**

- 4.63 For several types of non-remote operating licence there is a corresponding ancillary remote operating licence. The principle that underpins such ancillary licences is that they 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). They can be held in lieu of a 'full' remote operating licence given that there is less regulatory complexity associated with the activities authorised by ancillary remote licences. For example, LCCP and Remote Technical Standards do not, in the main, apply to ancillaries. The regulatory position is sufficiently covered by the fact that relevant provisions in LCCP apply to the non-remote licence to which the ancillary remote licence is 'ancillary'. Most ancillary licences do not attract any annual fee as the Commission's associated regulatory costs are recovered through the non-remote licence fee.
- 4.64 Further, many ancillary licences do not have specific limits in terms of the volume of gambling that can be conducted in reliance on them. However, it is important that the gambling activities conducted in reliance on them remain ancillary to those activities authorised by the corresponding non-remote operating licence, as was the original intention when such licences were introduced. Where the levels of gambling through participation by remote means form a substantial part of an operator's business, it will be necessary for that operator to hold a remote operating licence rather than an ancillary remote licence.
- 4.65 The Commission is therefore keeping under review the levels of gambling being conducted in reliance on ancillary remote operating licences, and may make recommendations to Government on the circumstances under which it is necessary for a business to hold a remote operating licence rather than an ancillary remote operating licence.

### **Licence types for which no changes to fees are proposed**

#### **External lottery managers (ELMs) and society lotteries**

- 4.66 This consultation does not include any proposals for changing either society lottery or ELM fees. As such, all lottery licence fees would therefore be held at current levels (although it is expected that many society lotteries and some external lottery managers will receive fee reductions as a result of the new proposals for annual fee discounts for holders of two operating licences, as described above).
- 4.67 As part of the 2012 fees implementation, ELMs were subject to fee increases to ensure that the Commission recovered its regulatory costs from them and we consider that the fee levels for such commercial entities remain at the right level. ELMs have increased their influence in the lottery sector since the inception of the Act and many have been instrumental in introducing significant developments in the sophistication of the kinds of product offered in that sector.

- 4.68 The 2011/12 fees consultation also led to the introduction of an ancillary licence for society lotteries that take payment via remote means up to a value of £250,000 per annum. The introduction of that ancillary licence reduced annual fees for many society lotteries by around 30%, and up to 60% for the very smallest lotteries, as previously they had been required to hold a 'full' remote society lottery licence on top of their non-remote society lottery licence. Notwithstanding the introduction of the ancillary licence, the fees for society lotteries have otherwise been held at their 2009 levels and as such, holding those fees again would represent a very large real terms reduction in fees. We consider that the current fee levels for lotteries remain proportionate to the costs of regulation.
- 4.69 It may be appropriate to look again at the issue of fees for society lotteries and ELMs in due course, depending on the outcome of the Government's current review of the society lottery sector.

### **Non-remote general betting limited operating licences**

- 4.70 We propose to retain the current unit of division (working days on course) and fee banding for the general betting (limited) licence, and there are no proposals for any changes to the current annual fees for this licence. The fees for on-course bookmakers have remained held at 2009 levels which would represent a significant reduction in real terms.

### **Personal Functional Licences (PFL) and Personal Management Licences (PML)**

- 4.71 The Commission has also reviewed its costs in relation to the processing of applications for personal licences, and the compliance workload associated with the maintenance fee that must be paid for a personal licence once every five years. There are external costs incurred as part of personal licence application and maintenance processes (Disclosure and Barring Service checks for example), and the Commission's assessment of its workload associated with personal licences shows that its costs remain broadly unchanged since such fees were last reviewed in 2012. It is therefore proposed that application and maintenance fees for personal licences remain at their current levels, although this would represent a reduction in real terms.

## **Correction of anomalies**

### **Minor amendments to regulations to clarify existing provisions for certain remote licences**

- 4.72 The 2009 fees consultation included revisions to licensing arrangements for remote operators whose products rely on random number generator (RNG) software. Prior to the 2009 fees regulations, an operator who provided facilities for betting on virtual events (e.g. virtual races), for bingo, and for a casino (games of chance) was subject to 'market entry fees' totalling around £37,000, but the 2009 proposals recognised that there are synergies between those licence activities given that the performance of the RNG software is the key regulatory consideration for each.



- 4.73 A composite fee arrangement was therefore introduced for licences that combine two or three of these activities, with lower fees to reflect regulatory effort. An operator providing facilities for all three types of RNG-based game now pays a 'principal' amount based on the total GGY for all of their RNG activities, and then a standard additional annual fee of £2,500 or £5,000 for having, respectively, a second or third RNG activity, to recognise that there is a residual level of complexity in regulating different types of RNG game. In introducing this arrangement in 2009, it was necessary to split the remote general betting standard licence to distinguish between betting on real events, which is of course subject to entirely different risks and regulatory effort from betting on RNG-based virtual events.
- 4.74 We propose to retain those arrangements but make small modifications to the wording of the regulations to clarify that the remote general betting standard licence was split into two mutually exclusive sub-classes of licence (i.e. one licence for betting on real events and one for betting on virtual events where facilities rely on RNG software). The Commission will also ensure its licence conditions further clarify that providing facilities for betting on real events, for betting on virtual events, for bingo, and for a casino (i.e. games of chance) are all mutually exclusive activities which attract separate fees, as per the arrangements outlined above.
- 4.75 These amendments in regulations and conditions would have no impact on any existing or future licensees as licences are already issued on this basis. They are aimed only at clarifying the policy arrangements originally intended by the 2009 consultation.

#### **Fees for change of corporate control applications by holders of both a non-remote and remote operating licence**

- 4.76 Where the holder of two operating licences (non-remote and remote) applies under s.102 of the Act for the continuation of both of those licences after a change of corporate control, the application fee is currently charged in accordance with the following formulae, depending on whether the new controller is known to the Commission (25%) or unknown (75%).

*(25% of the highest non-remote application fee for the activities on that licence + 25% of the highest remote application fee for the activities on that licence) divided by 2*

Or

*(75% of the highest non-remote application fee for the activities on that licence + 75% of the highest remote application fee for the activities on that licence) divided by 2*

Where such an application is made by the holder of only *one* operating licence (either a non-remote licence or a remote licence) their application fee is simply 25% or 75% of the highest application fee payable for the activities on their licence.

- 4.77 In some circumstances, the formulae above for those that hold two operating licences do not generate an application fee that is sufficient to cover the Commission's costs in terms of the change of corporate control application. For example, if one of the licences held by such an operator attracted a relatively large application fee and the other licence a relatively small fee, the fact that the total of those two amounts is *divided by 2* means

that the application fee arrived at would be smaller than that needed to process the application. Further, and for example, operator A who holds only one licence may end up paying more for an application to continue their licence than operator B who has two licences (despite one of those two licences being identical to that held by operator A).

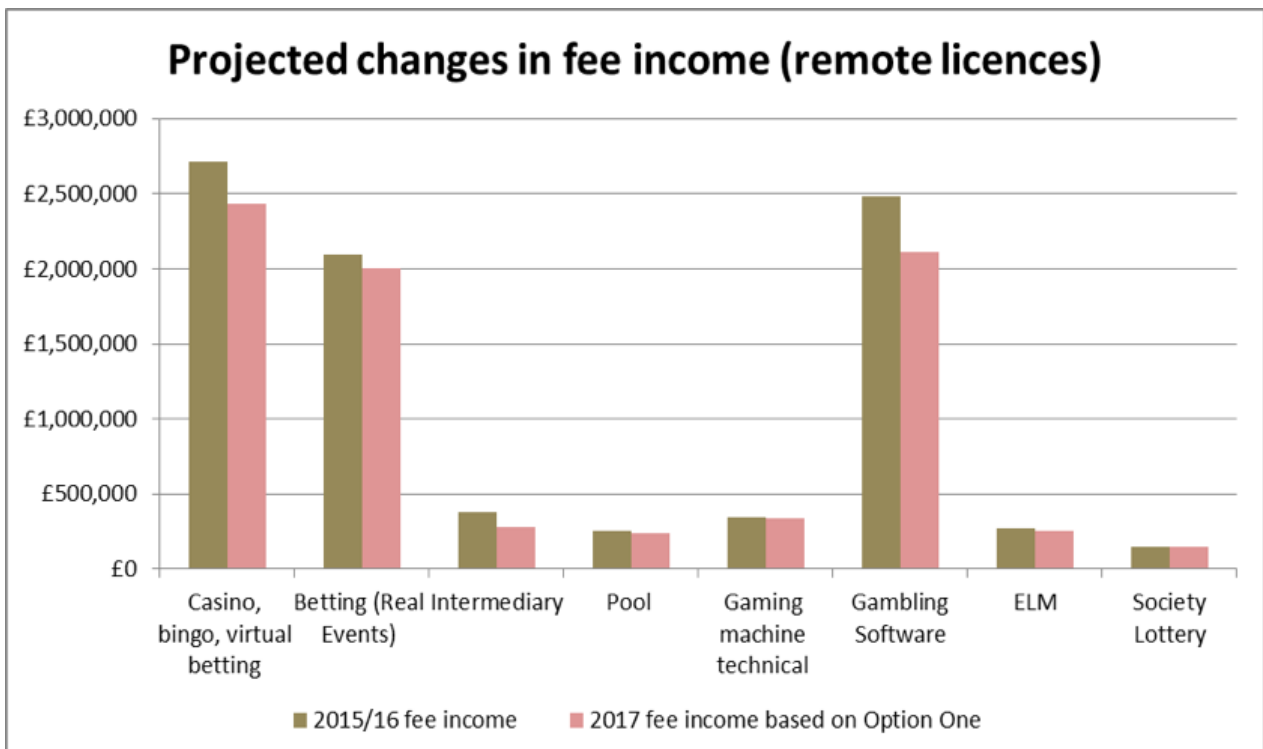
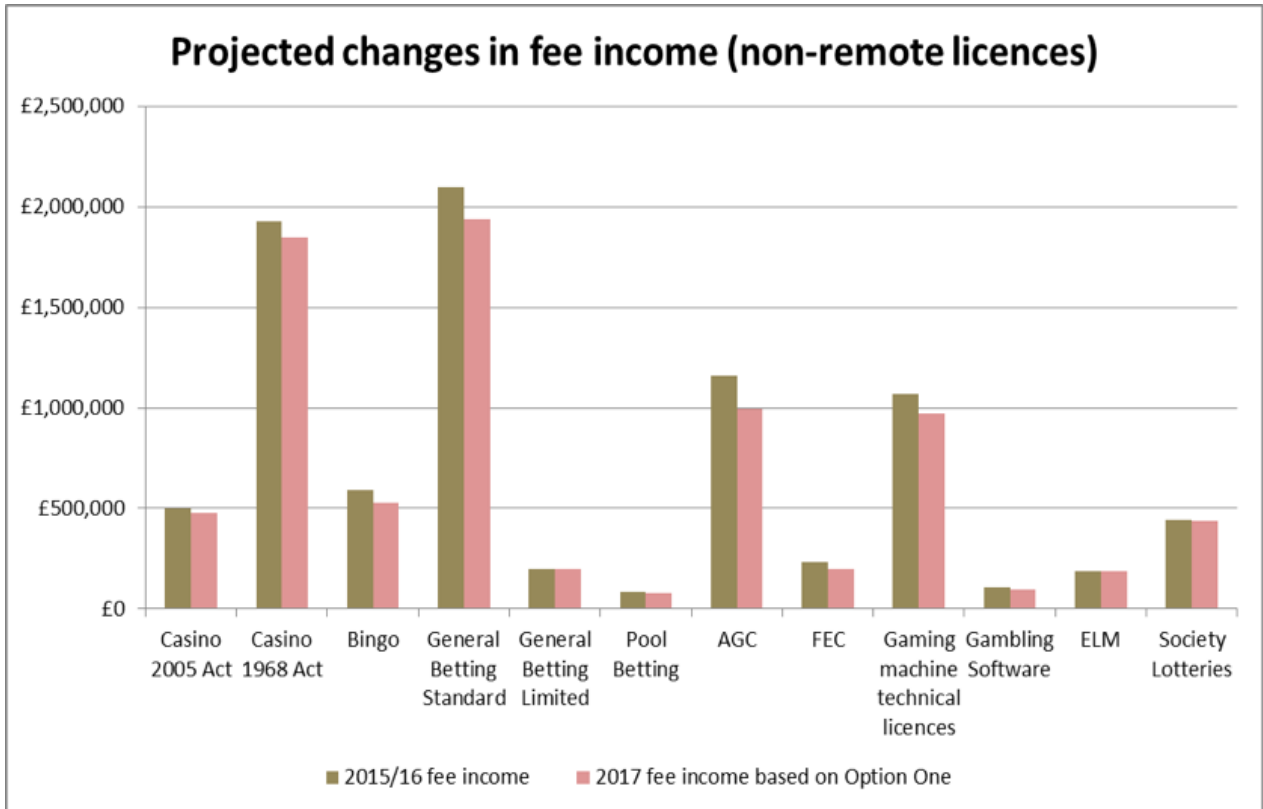
- 4.78 To ensure that the fees for such applications are set at a level that allows the Commission to recover its costs, and also to ensure consistency and fairness for those that hold only one operating licence, it is proposed that where an operator holds *both* a non-remote and remote licence and applies to continue those licences, they will instead pay 25% (if known to the Commission) or 75% (if unknown) of the *single highest application fee among the licence activities on either of those licences*, rather than pay in accordance with the above formulae.

## Payments by instalments

- 4.79 In its discussion paper the Commission explained its reasons for not pursuing the implementation of a system of payments by instalments. These were:
- Additional administration costs would need to be recovered from operators
  - An insurance surcharge would be required to reduce the credit risk incurred by the Commission
  - Primary legislation would be required which would be hard to justify given the relatively small fees involved.
- 4.80 The introduction of any system whereby payments of annual fees could be made in instalments via a **third-party credit supplier** would be a decision for the Commission itself rather than for the Secretary of State. The Commission advised at its fees discussion workshop in September 2015 that it would provide more details about how such an arrangement might work, and the costs associated with this.
- 4.81 If such an arrangement was pursued, an annual fee would be paid by the operator in instalments to a third party credit provider, and that credit provider would pay the operator's annual fee in full to the Commission before the anniversary date of the licence. The operator would pay a premium to the credit provider for this service, and the credit arrangements would be managed solely between the credit provider and the operator. As part of this consultation, the Commission welcomes views from stakeholders as to whether it should pursue arrangements for instalments with a third-party credit provider.

## Changes in the Commission's fees by licence type

- 4.82 The graphs below provide an illustration of the projected changes in the Commission's fee income, by licence type. The changes reflect the new fee levels that would be brought into effect by those proposals.



## Options featured in the Commission's fees discussion paper not being considered for this review of fees

- 4.83 In its fees discussion paper the Commission outlined the alternative principles by which costs might be recovered through the fees structure (e.g. through continuous tariff-type fees such as £x fee per £1m of GGY, or a fee based on a percentage of GGY) versus the current system of fee bands (whereby an operator pays £x fee for any quantum of GGY between £y and £z). The Commission welcomed views from stakeholders on the banding of fees and suggestions for alternative approaches, but also outlined its case for retaining and improving the banded structure rather than moving to a tariff-type system of cost recovery.
- 4.84 A tariff-type system could take a number of forms. For example, an operator's fee could be made up of a fixed amount to recover the minimum costs of regulating each operator; and then in addition, the Commission's variable costs could be recovered from that operator based on a certain percentage of their GGY. Because Treasury guidelines require the Commission to recover its regulatory costs and no more, there might also need to be upper GGY limits above which no fee is chargeable.
- 4.85 The Commission also explained in the discussion paper that £1 of GGY from one sector will be more 'regulatory heavy' than £1 of GGY from another sector. The practical consequence for a system of tariff-type fees might be that different percentages for different licence types are required (i.e. operators in a 'regulatory heavy' sector would pay x% of their GGY, but those in another sector would pay y% of their GGY). Further, to ensure that a tariff-type system reflected economies of scale in regulation, it might be necessary to delineate between different sizes of operator; for example, with larger operators paying a smaller percentage of their fee to reflect economies of scale.
- 4.86 In providing its advice to Government the Commission has given further consideration to the practicalities and possible consequences for differently-sized operators that could result from a tariff-type system, and remains of the view that retaining a banded structure would be more appropriate at this stage, for the following reasons:
- Sufficient changes can be made to the current fees structure to make the overall structure fairer for licensees. For example, the addition of further fee bands will smooth the level of fees in between each band and ensure that the smallest operators pay less in fees than larger businesses with which they are currently grouped in the same fee band. While a greater number of fee bands would likely increase the incidence of licence variations to move between bands, it is also proposed that there would be very large reductions in variation fees (to £25) which would greatly reduce the fee burden when an operator crosses a fee band.
  - One of the key benefits of the current banded system is the level of certainty that it provides to operators in terms of the fee they will be required to pay, and certainty for the Commission in terms of its planned income and budgeting. Operators are able to know exactly what fee they will be required to pay based on their GGY, or how close they are to crossing a band.

## Other consultation options

- 4.87 In developing the proposals for changes to fees outlined above, we have also considered alternative options for consultation. The proposals outlined above are option one (the preferred option). This involves a 10% reduction in fees combined with changes to ensure the Commission's costs are recovered on a more proportionate basis. Alternative option two involves making no changes to fees or bandings for any sector or licence type (the 'do nothing' approach), while alternative option three considers a 10% fee reduction applied equally to all licensed operators.

### Alternative option two: no changes to the current fee levels

- 4.88 We consider this option undesirable because the current fees and bandings do not accurately represent the distribution of the Commission's regulatory effort. Both as a result of the changing nature of the Commission's workload and the efficiencies achieved by the Commission in recent years, there would be a continued degree of over and under-recovery of costs across the industry. The increase in licensed operators in the remote sector following the implementation of the 2014 Act would also contribute to the Commission running a surplus of income, which of course would go against HM Treasury's rules and guidance on fees, levies and charges set out in *Managing Public Money*.
- 4.89 Under the existing structure there are significant increases in annual fees between some fee categories. We consider that a 'smoother' banded structure is necessary to prevent operators from being faced with a disproportionate fee jump as they move up fee bands. Some of the fee bands for certain smaller operators cover too wide a range, with very small operators paying the same fee as significantly larger operators (in terms of GGY) despite imposing relatively little regulatory costs on the Commission.
- 4.90 If we did not address this issue it would leave those operators facing disproportionate fees and would represent a barrier to business growth or a barrier to entering the market. At the other end of the spectrum there would be a risk that the Commission could face a significant loss of income should large operators merge or continue to grow at the very top end of the fee structure, without the proposed additional fee bands being added at the top end of some fee categories.
- 4.91 Not increasing fees for some of the largest operators would lead to a disproportionate recovery of the Commission's costs, with too great a fee income being generated from smaller operators and too little from those larger operators. Fees would remain at levels that are disproportionate to the relative potential impact of differently-sized operators. Pursuing this option would lead to the over-recovery of costs through fee income by an estimated £1.7m per annum.

### Alternative option three: flat 10% reduction of fees across the board

- 4.92 Alternative option three would involve no increases in fees for any licensed operator; rather, a flat percentage reduction would be applied to all operators across the industry. This option would reduce the Commission's fee income by the same amount as that

expected under option one (around £1.7m), although option one is based on a 10% overall reduction in annual fees.

- 4.93 A flat 10% fee reduction for all operators would, however, fail to address the Commission's concerns regarding the fair and proportionate distribution of regulatory costs which are recovered from differently-sized operators through fees. For example, were the Commission to apply a 10% reduction to all licence fees there would still be a disproportionate recovery of costs between small and larger operators (generally, an over-recovery of costs from smaller operators and an under-recovery of costs from the larger operators), leading to the consequences stated above in alternative option two.

## Chapter 5: Consultation questions

- 5.1 You are invited to comment freely on any aspect of this consultation document. However, you may find it useful to refer to the checklist of questions below, which cover the main points on which we would particularly welcome views. Where possible, please:
- be as specific as possible in your responses
  - explain, where appropriate, the reasons behind your agreement or disagreement with a proposal
  - suggest what alternative you would prefer in place of any proposals you may disagree with.

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

In relation to the proposals:

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

**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?

**Consultation question 4:** Do you agree with the proposal to replace 'numbers 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)?

**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?

**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?

**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?

**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)?

**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)?

**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)?

**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?

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

**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?

**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 non-remote revenue, for the purposes of calculating the non-remote fee category?



## Appendix A

### Proposed Licence Conditions and Codes of Practice for game host (casino) and game host (bingo) operating licences

Section 24 of the 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.

Subject to consultation on the introduction of these new licences and fees by means of regulations that would be made by the Secretary of State and laid before Parliament, the Commission wishes to ensure the appropriate LCCP are attached to the relevant new licences. Respondents to this consultation are therefore invited to comment on the Commission's proposals relating to the application of LCCP, below.

It should be noted that that the conditions and codes in the left-hand column are the *existing* LCCP<sup>14</sup> for the existing 'full' remote casino and bingo operating licences. The full details of those LCCP are available here for [remote casino](#) and for [remote bingo](#). The LCCP in the right-hand column below are the *proposed* LCCP for the new game host licences. For clarity, it is **only** the proposed application of LCCP in the right-hand column that is subject to consultation, and there are no proposals to change the LCCP applicable to existing (B2C) casino or bingo operators.

The Commission also welcomes comments on the proposed new condition 3.1.3 which would apply only to holders of the new game host licences. The wording of this licence condition would be 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 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.

#### **Proposed licence condition 3.1.3**

##### **Remote game host casino and bingo licences (except ancillary remote 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 ('game 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 or bingo operating licence ('a relevant licence');*
  - b** *the arrangements between the game host and any holder of a relevant licence through which domestic customers access their facilities, and with gambling*

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<sup>14</sup> The provisions below have been taken from the current LCCP, which is [LCCP February 2015](#). Any future amendments of LCCP will therefore address the question of applicability to game host licences on a case by case basis, with significant changes to LCCP being the subject of consultation by the Gambling Commission.

*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 game 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).*

<b>Licence Condition (LC), Social Responsibility Code Provision (SRCP), or Ordinary Code Provision (OCP)</b>	<b>Applies to current Remote Casino and/or Bingo operating licence</b>	<b>Proposal to apply this condition or code to the new game host (casino) or (bingo) licences</b>
Condition 1.1.1 – qualified persons and qualifying positions	Yes	Yes
Condition 1.2.1 – PMLs	Yes	Yes
Condition 2.1.1 – location of key equipment	Yes	Yes
Condition 2.1.2 – access to key equipment	Yes	Yes
Condition 2.2.1 – gambling software	Yes	Yes
Condition 2.3.1 – compliance with technical standards and timing and procedures for testing	Yes	Yes

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Condition 3.1.1 – peer to peer gaming	This condition 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 remote casino licence.	No – such network operators will continue to hold the remote casino licence and would not be able to hold the B2B game host 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’) must have, put into effect and monitor the effectiveness of policies and procedures designed to ensure that...”</i>	This condition will continue to apply to those operators that, for example, operate in both B2B and B2C spheres and do not contract with all customers.	No – new condition 3.1.3 will apply instead to B2B game hosts only.
Condition 3.1.3 – Game host (casino) and (bingo) operators 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 (‘game host operators’) must have, put into effect and monitor the effectiveness of policies and procedures designed to ensure that...”</i>	No	Yes
Condition 4.1.1 - segregation of funds	Yes	No – as the B2B does not contract with any customer, no customer funds should be held by the B2B.
Condition 4.2.1 – disclosure to customers	Yes	No – as the B2B does not contract with any customer, no customer funds should be held by the B2B.
Condition 5.1.2 – payment services	Yes	No – payment methods would relate to payments to B2C customer’s account only
Condition 7.1.1 – compliance with terms and conditions (consumer rights) – Ts&Cs must not be unfair	Yes	Yes (B2B game hosts may still offer their own T&Cs on their own games.
Condition 8.1.1 – display of licensed status	Yes	Yes
Condition 14.1.1 – access to premises (includes all remote)	Yes	Yes

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Condition 15 - reporting suspicion of offences, key events, other reportable events, regulatory returns	Yes	Yes
SR Codes 1.1.2 and 1.1.3 – responsibility for third parties	Yes	Yes
SR Code 3.1.1 – problem gambling	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 prior to allowing them to gamble on B2Bs products
SR Code 3.3.1 and OCP 3.3.2 - gambling management tools and responsible gambling information	Yes	Yes
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
SR Code 3.4.1 - customer interaction	Yes	No – responsibility for interaction rests with B2C for its own customers, but, as per condition 3.1.3, the B2B will need to support the B2C by providing relevant information to the B2C on the customer’s gambling behaviour.
SR Code 3.5.3 – self exclusion	Yes	No – exclusion managed by B2C only for its own customers
SR Code 3.5.5 – multi-operator self exclusion	Yes	No
SR Code 3.7.1 and 3.7.2 – credit card deposits and provision of credit	Yes	No – controlled by B2C only
SR Code 4.1.1 – Fair terms – demonstrate that terms are not unfair	Yes	Yes
SR Code 4.2.3 and OCP 4.2.4 – display of rules	Yes	Yes

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SR Code 5.1.1 and OCP 5.1.2 – marketing, rewards and bonuses	Yes	Yes
SR Code 5.1.7 and OCP 5.1.8 – marketing of offers	Yes	Yes
SR Code 6.1.1 – complaints and disputes	Yes	Yes – the game host will have a duty to participate in the resolution of customer complaints and disputes where they relate to the use of the B2B’s products.
SR Code 7.1.2 – responsible gambling info for staff	Yes	Yes
SR Code 3.9.1 – identification of individual customers	Yes	Yes - where for example the B2C has social responsibility concerns over a particular player who has multiple accounts, they will need the B2B to be able to monitor their play across those different accounts and reconcile that as one individual customer.
Ordinary Code 2.1.1 – AML guidance	Yes, for remote casino	Yes
Ordinary Code 2.1.2 – POCA guidance that applies to all operators except casino operators	Yes, for remote bingo rather than casino	Yes
OCP 3.6.7 – Employment of Children and Young People	Yes	Yes
OCP 5.1.6 – compliance with advertising codes	Yes	Yes
Ordinary Code 8.1.1 – information requirements	Yes	Yes

## Appendix B: Authority to set fees

1. The Act contains a range of powers for the Secretary of State to prescribe, and the Commission to charge, various fees in respect of the performance by the Commission of its licensing and regulatory activities.
2. The fees relating to operating licences are:
  - Application fees, payable by anyone applying for an operating licence (section 69);
  - Annual fees, payable annually by all operating licence holders for the maintenance of their licence (section 100 of the Gambling Act) to meet the costs of the Commission's compliance and enforcement activities in maintaining the licence, which is indefinite in duration;
  - Change or Variation of Licence fees, payable by holders of operating licences when applying for specific types of amendment to the licence (section 101 (change of circumstance) or section 104 (variation of licence));
  - Change of Control fees, payable when seeking a determination that an operating licence can continue to have effect following changes in the corporate control of the licence holder (section 102); and
  - Copy of Licence fee, payable for the provision of a replacement copy of an operating licence (section 107).
3. The Act provides similar fee-setting powers in relation to personal licences. The Act allows for application fees, change and variation of licence fees and copy of licence fees (section 128). There are powers to set a periodic maintenance fee for a personal licence, which need not be annual (section 132).
4. All of these fees are set by the Secretary of State through regulations, subject to the negative resolution procedure in Parliament. In all cases, the Secretary of State has the power to set the fees differentially, according to the class or type of licence, type of activity, or particular cases or circumstances (section 355(1), together with sections 69(5), 100(3), 132(3)).
5. The Commission itself can set fees for making registers containing information about licences available to the public (section 106). These fees must not exceed the reasonable cost of providing the service (section 106(3)).

## Appendix C: proposed non-remote annual fees as of April 2017

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	£46,659	£60,520	£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										
Bingo	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 to £125m	£125m to £300m	£300m to £500m	£89,269 plus £30,000 for every £200m of GGY above £500m GGY					
	Annual Fee	£1,322	£1,378	£3,055	£3,297	£3,708	£10,464	£23,395	£41,080	£61,252	£89,269						
General Betting Standard	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 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	£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 £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										
AGC	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 to £125m	£125m to £300m	£300m to £500m	£88,269 plus £25,000 for every £200m of GGY above £500m GGY					
	Annual Fee	£1,314	£1,370	£3,030	£3,247	£3,658	£10,314	£23,095	£40,080	£60,252	£88,269						
FEC	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								

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: proposed remote annual fees as of 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	£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				
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	

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: proposed non-remote application fees as of April 2017

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										
Bingo	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 to £125m	£125m to £300m	£300m to £500m	£18,454 application fee for any GGY above £500m					
	Application Fee	£879	£879	£1,464	£1,464	£1,464	£2,930	£15,378	£18,454	£18,454	£18,454						
General Betting Standard	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 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	£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 £2m	£2m to £4m	£4m to £7.5m	£7.5m or greater										
	Application Fee	£879	£879	£879	£879	£879	£3,075										
AGC	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 to £125m	£125m to £300m	£300m to £500m	£14,647 application fee for any GGY above £500m					
	Application Fee	£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 £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	£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: proposed remote application fees as of April 2017

	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						
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						
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					



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		



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