

GAMBLING COMMISSION

27 March 2017

Rt. Hon Karen Bradley
Secretary of State for Culture Media and Sport
Department for Culture Media and Sport
Government Office
100 Parliament Street
London
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Dear Secretary of State

Enterprise Bill – Innovation plans

Following the former Chancellor's announcement of the Productivity Plan ([Fixing the Foundations: Creating a more prosperous nation](#)), and the subsequent letter from Graham Turnock (BRE) to Board Level Champions regarding this issue, the Commission's response is set out below.

The Innovation Plan is informed by the Commission's ongoing dialogue with the industry. This interaction takes a number of forms, including updates with trade associations and business groups, sector meetings, trade shows, one to one discussions with operators as well as more informal contact. The plan is also informed by our intelligence gathering facility and regular horizon scanning which enables us to best respond to emerging patterns and trends.

The gambling industry in Great Britain is a highly dynamic, fast moving and competitive environment. The legislation which created the Commission, the Gambling Act 2005, requires the Commission to 'aim to permit gambling' in ways which are 'reasonably consistent with the licensing objectives'.

In our 2017/18 business plan, we will commit to developing our three-year corporate strategy, and in doing so will take into account developments in regulatory approaches, consumer behaviours, markets and technologies and seek to create an environment for the industry to demonstrate professionalism and innovation in approaches to regulation and compliance.

New technologies and business models are a permanent feature of the industry. Two growth areas within the betting industry – betting exchanges and in running/in play betting – led to parts of the industry calling into question whether these business models presented a risk to the licensing objectives. The Commission concluded that this was not the case and these two formats continue to grow and expand in popularity.

Remote gambling has expanded considerably since the Commission was established and following the introduction of the Gambling (Licensing and Advertising) Act 2014, consumers in Great Britain are afforded the same protections whichever operator they gamble with, whether the company is based



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overseas or here. Equally, operators now have an open and competitive market place to offer their products without unfair advantage being afforded to some.

Evidence of the Commission's approach to innovation is the fact that Great Britain is now home to the largest online (regulated) gambling market in the world¹. Technology controls are less burdensome than in many other jurisdictions, there are no caps on the number of operators permitted in the market place, most gambling products can be offered here (again unlike many jurisdictions across the developed world) and licence fees for the remote market are set at such a level as to make it possible for new entrants to enter without high front end regulatory costs.

In order to reduce the duplication of testing and streamline processes related to remote gambling products the Gambling Commission has joined the multi-jurisdictional testing framework (MJTF) scheme under the auspices of the International Association of Gaming Regulators (IAGR). The aim is for all participating jurisdictions to agree on common standards and then where one product operates in multiple jurisdictions operators can have the game tested to these standards and use the one test to satisfy the testing requirements of all participating jurisdictions.

The Commission is continually reviewing processes and procedures in order to utilise new technologies to generate efficiency savings and reduce burdens on business. One significant step in this direction was the creation of an electronic system for the submission of regulatory returns (key industry data that we require from the industry in order to fulfil our statutory obligations.) This system both reduced burden on business and also delivered cost saving to the organisation. Similarly, the annual data collection from licensing authorities is now completed electronically, again reducing Commission resource costs.

The Gambling Act created a system of shared regulation, licensing authorities are primarily responsible for gambling licensing and compliance issues within their area. In order to avoid the risk of duplicating regulation, or equally non-compliance and illegal activity being disregarded, the Commission has in place a robust system of intelligence sharing with licensing authorities and a clear understanding as to the regulatory role of each agency.

The Chancellor has requested that innovation plans cover three issues. Our responses to each is set out below.

1. How legislation and enforcement frameworks could adapt to new technologies and disruptive business models to encourage growth:

We have adopted a non-terrestrial form of regulation for remote gambling as it crosses national borders and uses new technologies which makes locking down the gambling devices impossible (for example many of our operators use the cloud and outsource services so they can be agile, efficient and offer the broadest range of products to consumers). We allow gambling servers to be located anywhere that serves the business needs (so long as it's a robust place). This is unlike other territories such as US, Australia and many European countries who require servers to be located in their jurisdiction. This latter system greatly increases technology costs and doesn't allow operators to use the latest technology such as clouds.

2. An assessment of how new technology is likely to shape the sectors being regulated

¹ The Commission received 176 remote operator licence applications prior to November 2014 and 152 gambling software applications prior to 31 March 2015.

As noted above the gambling industry is both highly innovative and highly competitive. It is an early adopter of new technologies, particularly remote technologies. The challenge for the Commission is to 'aim to permit' these new uses of technology whilst creating proportionate regulations to protect the licensing objectives.

Peer to peer betting exchanges and peer to peer poker are examples of new business models unique to online gambling. The Commission is creating the appropriate regulatory safeguards to permit these activities to grow.

New products are rapidly emerging - such as eSports and social gaming, which is enabling many new entrants to the industry and is undoubtedly challenging existing business models. The Commission's approach is similar to that regarding earlier developments where we made an assessment of the potential risks to the licensing objectives of the Gambling Act 2015 before taking regulatory action. We recently published a position paper '*Virtual currencies, eSports and social casino gaming*' which sets out for both the existing industry and new entrants how the Commission expects these innovations to be managed in line with the licensing objectives and in particular highlighting the need for protection of children.

One of the licensing objectives is to protect young and vulnerable people. In support of this requirement player identification has an important role to play. The Commission has adopted an outcome focused approach to the issue and new innovations have been introduced such as webcam verification of identification and facial recognition.

Another innovative use of new technologies is the introduction of new sensing technologies (such as those which can detect heart rate, or emotions from facial expressions) which are being developed / adopted by remote operators to ensure a more immersive gambling experience. As with other innovations, the challenge will be to permit such developments whilst ensuring adequate player protection.

3. Actions for how regulators could better utilise new technologies to generate efficiency savings and reduce burdens on business.

As part of our ongoing drive to make efficiency savings and reduce burdens the Commission is seeking to ensure that all our communications with the regulated industry are capable of being sent/received and stored electronically. We are working towards all our data collection from the industry for regulatory purposes being capable of electronic submission, which is partially complete.

We are also working towards self-service portals for the regulated industry to be able to manage all of their interactions with us online and in an automated fashion, again this is partially complete. Finally we are improving access to and analysis of submitted data such that we only need to ask the regulated industry for it once and we are certain of the value and purpose of the data we ask for before requesting it.

Yours sincerely

Sarah Harrison
Chief Executive