

## Public consultation on the Green Paper on on-line gambling in the Internal Market

You are invited to reply to the on-line questionnaire. The questions listed in the Green Paper are reproduced in the same order hereunder. A pdf version of the [Green Paper](#) is available in all EU languages for guidance to the questions.

There are 51 questions in the consultation document. You may reply to those questions in any one of the EU languages. You may focus your contributions on the areas of most interest to you; you are not obliged to answer all the questions.

Please save this document on your computer. Once you have completed the questionnaire, come back to the on-line questionnaire. You will be able to upload your answers on page 3 of the on-line questionnaire.

The consultation will close on 31/07/2011.

We thank you for your participation.

### Your name / Your organisation:

Kate Jones / Department for Culture, Media and Sport (DCMS).

This response on behalf of the UK Government has been prepared in conjunction with the Gambling Commission and the National Lottery Commission.

### Questions from the Green Paper on on-line Gambling in the Internal Market

1. Regulating on-line gambling in the EU: Recent developments and current challenges from the Internal Market standpoint
  - 1.1. Purpose of the consultation
  - 1.2. On-line gambling in the EU: current situation

**(1) Are you aware of any available data or studies on the EU on-line gambling market that would assist policy-making at EU and national level? If yes, do the data or study include licensed non-EU operators in the EU market?**

There are companies that publish online gambling data that include "H2 Gambling Capital" ([www.h2gc.com](http://www.h2gc.com)) and "Global Betting and Gaming Consultants" ([www.gbgc.com](http://www.gbgc.com)) for both the EU and non-EU markets.

**(2) Are you aware of any available data or studies relating to the nature and size of the black market for on-line gambling services? (Unlicensed operators)**

It is difficult to comment on the size of the black market. UK players, however, appear to be gambling on websites that are regulated by the Gambling Commission, the National Lottery Commission or other jurisdictions where online gambling is permitted. In the UK, there are a number of well known gambling operators (e.g. betting shops, casinos, bingo etc) that offer gambling online, and the National Lottery also offers some of its products online. There are also a number of online only gambling operators that have significant brand presence in the UK market. Advertising, brand recognition and reputation appear to be key reasons why a player chooses to gamble with an online gambling operator.

Gambling operators that are based in the EEA, Gibraltar and white listed jurisdictions are permitted to advertise into the UK. Possibly as a result of the wide range of legal sites targeting British consumers, The Gambling Commission sees little, if any, evidence of a thriving black market focused on the British market.

**(3) What, if any, is your experience of EU-based on-line gambling operators licensed in one or more Member State and providing and promoting their services in other EU Member States? What are your views on their impact on the corresponding markets and their consumers?**

The Gambling Act 2005 permits remote gambling operators in European Economic Area (EEA) States and Gibraltar to advertise into the UK whether they regulate gambling or not. This was on the basis that EEA States will have broadly similar protections in place. However this does mean that operators offering services into the UK do not currently need to meet the Gambling Commission's standards.

Many operators that are actively regulated, whether in EEA Member States or outside, do have good standards of social responsibility. There are some practical difficulties, however, associated with not directly licensing operators. For example, the requirement to provide the Gambling Commission with details of suspicious betting transactions does not apply to non-Gambling Commission licensees, nor does the requirement to submit SARs to SOCA.

In relation to online gambling, the most common enquiry to the Gambling Commission is about gambling with offshore regulated operators. This shows that consumers are confused about where they are gambling and have to deal with multiple regulators in multiple jurisdictions.

The UK National Lottery is licensed and regulated in the UK, and only consumers who are based within the UK are allowed to play the National Lottery online.

**(4) What, if any, is your experience of licensed non-EU on-line gambling operators providing and promoting their services in EU Member States? What are your views on their impact on the EU market and on consumers?**

The Gambling Act 2005 includes a mechanism for non-EEA Member States to apply to be added to the Government's white list. Operators in white-listed jurisdictions are treated for the purposes of the Act in the same way as EEA Member States are permitted to advertise into the UK.

To be added to the white list, jurisdictions must demonstrate that they have comparable (although not identical) regulations to the UK - which does not apply to EEA States. (The white list is currently suspended due to the review of remote gambling regulation in Great Britain - please see below).

But practical difficulties exist for the Gambling Commission to access information held by operators that target the UK market but are not regulated by the Gambling Commission.

Co-operation between regulators can do a lot in terms of sharing information and experiences but the jurisdiction where the operator is regulated can only share information in line with local legislation. This means either that it takes an extended period of time to obtain information (and its provision may be subject to the home regulator's agreement) or that it is not possible to obtain the information.

With the review of remote gambling regulation in Great Britain, it is proposed that the white list will be phased out as we intend to allow operators anywhere in the world to apply for a Gambling Commission licence. This will make all operators selling into the British market subject to robust and consistent regulation, increasing protection for consumers and establishing fairer competition for British-based online operators.

**(5) If any, which are the legal and/or practical problems that arise, in your view, from the jurisprudence of national courts and the CJEU in the field of online gambling? In particular, are there problems of legal certainty on your national and/or the EU market for such services?**

The UK does not experience any particular practical problems with the jurisprudence of the CJEU on online gambling.

**(6) Do you consider that existing national and EU secondary law applicable to on-line gambling services adequately regulates those services? In particular, do you consider that coherence / consistency is ensured between, on one hand, the public policy objectives pursued by Member States in this field and, on the other hand, the national measures in force and/or the actual behaviour of public or private operators providing on-line gambling services?**

The UK is presently re-visiting its domestic legislation with regard to the regulation of online gambling. On 14 July 2011, the Minister for Tourism and Heritage, John Penrose, announced to Parliament, via written Ministerial statement, proposals for amending remote gambling regulation in Great Britain.

It is proposed that the Gambling Act 2005 should be amended so that remote gambling is regulated on a point of consumption basis (rather than point of supply), so that all operators selling into the British market, whether from here or abroad, will be required to hold a Gambling Commission licence to enable them to transact with British consumers and to advertise in Great Britain. This will make all operators selling into the British market subject to robust and consistent regulation, increasing protection for British consumers and establishing fairer competition for British-based online operators.

As operators anywhere in the world will be allowed to apply for a Gambling Commission licence, this will mean that the white list will be phased out. We intend to use a grandfathering system for companies currently based in white list jurisdictions and, in the medium term, to rely on work done by trusted regulators in other countries (such as current white list countries) rather than duplicate work unnecessarily.

These proposals are an important measure to help address concerns about problem gambling and to bridge a regulatory gap, by ensuring that British consumers will enjoy consistent standards of protection, no matter which online gambling site they visit. For example, previous work by the Gambling Commission has highlighted deficiencies in some remote operators' arrangements for preventing underage play, and, for the first time, overseas operators will be required to inform the UK regulator about suspicious betting patterns to help fight illegal activity and corruption in sports betting.

In lieu of EU-wide harmonisation or minimum standards on the regulation of gambling, we believe that the fairest way to ensure that there are the fewest obstacles to intra-community trade is to require that all operators providing facilities for gambling to a particular Member State's consumers should be subject solely to the jurisdiction of that Member State. Our reforms will ensure consistency and a level playing field amongst operators, as those based outside the UK will be subject to identical regulatory standards and requirements as those based in the UK.

As the National Lottery is covered by a different legislative structure, these proposals will not affect the UK National Lottery, which is licensed by the National Lottery Commission rather than the Gambling Commission.

## **Other comments on issues raised in section 1**

In the last 4 years, the Serious Organised Crime Agency (SOCA) has worked with international partners on one operation where the on-line gambling company was formally established in the UK but was run by an Organised Crime Group (OCG) based in the other country.

Although SOCA and the Gambling Commission effectively exchanged information/co-operated in the investigation, it did prove difficult to conduct investigations of the subjects as they were based in another jurisdiction.

Different laws and procedures in different jurisdictions add complexity to the exchange of information and obtaining evidence. It would be useful to have a degree of commonality across Europe in relation to obtaining information and evidence.

2. Key policy issues subject to the present consultation

2.1. Definition and organisation of on-line gambling services

**(7) How does the definition of on-line gambling services in the Green Paper differ from definitions at national level?**

At a national level, the UK uses the term 'remote gambling' rather than online gambling services.

Section 4 of the Gambling Act 2005 defines 'remote gambling' as gambling in which persons participate by the use of the internet, telephone, television, radio or any other technology for facilitating communication. To this end, it borrows the definition of 'gambling' from section 3, which itself refers to discrete concepts of 'gaming', 'betting' and 'participating in a lottery'. It is therefore somewhat more detailed when read alongside these other sections, but ostensibly covers the same kinds of activity as those in the Green Paper.

There is no definition of online gambling in the National Lottery legislation. The licence to run the National Lottery refers to 'interactive' which covers all online transactions.

**(8) Are gambling services offered by the media considered as games of chance at national level? Is there a distinction drawn between promotional games and gambling?**

Services offered by the media are not treated any differently at domestic level. Similarly, promotional games also fall within the purview of the UK's gambling legislation.

Section 3 of the Gambling Act 2005 defines "gambling" as meaning gaming (defined in section 6), betting (defined in section 9) and participating in a lottery (defined in section 14).

When assessing products that are offered by the media (including promotional games) we use this definition to assess whether they are offering gambling. There are promotional products that are offered in the media (e.g. a player answers a multiple choice question for a chance to win a prize) that are not caught by the definition of gambling as there is a free entry route being available to a player.

**(9) Are cross-border on-line gambling services offered in licensed premises dedicated to gambling (e.g. casinos, gambling halls or a bookmaker's shop) at national level?**

In general, licensed operators are not permitted to offer online gambling in licensed premises. For example, it is not possible to locate a computer in licensed premises with links to gaming websites (whether here or overseas) if it does not adhere to restrictions including the number of machines permitted in licensed premises and the stake/prizes offered. This is because such a computer will be a gaming machine and therefore be subject to those restrictions.

Any licensed betting premises are permitted to hold terminals which can accept bets on future live real events - these are known as betting terminals. These cannot be used for virtual betting or they would then be considered gaming machines and would not meet the requirements for gaming machines. Terminals can be linked to an operator in the UK or EEA Member State/white-listed jurisdiction.

**(10) What are the main advantages/difficulties associated with the coexistence in the EU of differing national systems of, and practices for, the licensing of on-line gambling services?**

Advantages:

Consumers benefit because they experience the same protections. The regulatory authority has access to information on which to regulate the market (including conducting investigations).

Disadvantages:

For operators, however, this means an increase in costs of obtaining multiple licences and being regulated by multiple regulators who each have different standards.

Solution:

Given the wide variation in cultural approaches to gambling, we are not convinced that EU-wide harmonisation is both workable and desirable. Multiple licences are, therefore, an inevitable result but we believe the disadvantages and obstacles to intra-community trade can be minimised if all operators providing facilities for gambling to a particular Member State's consumers should be subject solely to the jurisdiction of that Member State. Our reforms will ensure consistency and a level playing field amongst operators, as those based outside the UK will be subject to identical regulatory standards and requirements as those based in the UK.

### **Other comments on issues raised in section 2.1**

It is recognised, in general, the investigation of cross-border crimes is challenging, and this is also the case where the fraud is also related to gambling.

For example, this creates problems in getting the evidence, in terms of which country needs a Letter of Request etc., and the standards of information collection vary according to the Member State, the company and the service offered.

In the UK, it is illegal to bet on the result of the UK National Lottery, but a number of non-UK-based online gambling providers offer UK-based consumers the chance to bet on the UK National Lottery.

2.2. Related services performed and/or used by on-line gambling services providers

**(11) With focus on the categories mentioned in the Green Paper, how are commercial communications for (on-line) gambling services regulated for at national level? Are there specific problems with such cross-border commercial communications?**

The Green paper asks for comments on point (3) - (6).

Only operators licensed by the Gambling Commission ([www.gamblingcommission.gov.uk](http://www.gamblingcommission.gov.uk)) or located in an EEA State, Gibraltar or a white-listed jurisdiction are permitted to advertise in the UK. All other gambling is considered 'foreign gambling' and it is a criminal offence to advertise foreign gambling.

(3) Online commercial communications:

The Gambling Commission's code of practice indicates that licensees should comply with the advertising codes of practice that apply to the form and media in which they advertise their

gambling facilities and services:

[www.gamblingcommission.gov.uk/pdf/licence%20conditions%20and%20codes%20of%20practice%20-%20consolidated%20March%202011\[1\].pdf](http://www.gamblingcommission.gov.uk/pdf/licence%20conditions%20and%20codes%20of%20practice%20-%20consolidated%20March%202011[1].pdf) and

[www.gamblingcommission.gov/Guide%20to%20gambling%20advertising%20codes%20-%20September%202010\[1\].pdf](http://www.gamblingcommission.gov/Guide%20to%20gambling%20advertising%20codes%20-%20September%202010[1].pdf)

Advertising is subject to the CAP (non-broadcast) and BCAP (broadcast) advertising codes ([www.cap.org.uk](http://www.cap.org.uk)). The CAP and BCAP codes are administered by the Advertising Standards Authority (ASA). Operators should also follow the Gambling Industry Code for Socially Responsible Gambling.

The CAP and BCAP codes cover the content and placement of advertising and ensure that gambling advertising is socially responsible. This includes paid-for online advertising and own website advertising. The rules ensure that gambling advertising is not aimed at children or young people and that it does not leave vulnerable people open to exploitation and harm.

The ASA investigates complaints about advertisements, which are alleged to be in breach of the CAP and BCAP codes. Where complaints are upheld the ASA requires advertisements to be amended or removed.

The Gambling industry voluntary code for socially responsible advertising has been developed by the industry to supplement the CAP and BCAP codes by setting minimum industry standards in a limited number of areas that are not covered by the CAP/BCAP rules: ([www.gamblingcommission.gov.uk/industry%20code%20of%20practice%20-%20august%202007\[1\].pdf](http://www.gamblingcommission.gov.uk/industry%20code%20of%20practice%20-%20august%202007[1].pdf))

The areas covered by the industry code of practice are:

- social responsibility messages
- display of gambleaware website address
- broadcast media – messaging
- television advertising – watershed
- ban on children’s merchandising as part of sporting sponsorships

(4) & (5) Sales promotions and direct marketing:

The Commission requires licensees to operate bonus, incentive or reward schemes in a socially responsible way, in particular:

- the value of the bonus or reward must not be dependent on a customer gambling for a pre-determined lengths of time or with a pre-determined frequency.
- if the value of the benefit increases with the amount the customer spend it should only do so in proportion with the customer spend.

(6) sponsorship agreement:

The Gambling industry voluntary code for socially responsible advertising includes a ban on children’s merchandising as part of sporting sponsorships (paragraph 33 of the code). There is no such ban on adult merchandising.

The National Lottery, while covered by separate legislation, is still subject to the CAP and BCAP codes on lotteries. There are also some provisions regarding advertising and promotions in the licence to run the National Lottery to deal with National Lottery specific issues.

**(12) Are there specific national regulations pertaining to payment systems for on-line gambling services? How do you assess them?**

The Gambling Commission is aware that online gambling operators offer a number of payment systems that include credit cards, debit cards and e-wallets. The Financial Service Authority regulates both the banking system and e-wallet providers in the UK.

Online gambling operators use online payment systems to transact with their customers.

The Gambling Commission has published a guidance document which is applicable to online casino operators it licenses entitled: “The Prevention of Money Laundering and Combating the Financing of Terrorism - Guidance for remote and non-remote casinos” ([www.gamblingcommission.gov.uk/The%20prevention%20of%20money%20laundering%20and%20combating%20the%20finance%20of%20terrorism%20-%20Casinos%20-%20December%202007\[1\].pdf](http://www.gamblingcommission.gov.uk/The%20prevention%20of%20money%20laundering%20and%20combating%20the%20finance%20of%20terrorism%20-%20Casinos%20-%20December%202007[1].pdf)). This guidance is currently being updated.

This guidance document includes KYC (Know Your Customer) and CDD (Customer Due Diligence) and how this applies to the payment process. In particular it covers the process of depositing and withdrawing customer funds.

The National Lottery Commission reviews all aspects of the National Lottery's online infrastructure, including the payment services. This helps to prevent fraud and to protect Lottery players. It is not possible to use credit cards for payment on the National Lottery website.

**(13) Are players' accounts a necessary requirement for enforcement and player protection reasons?**

Yes - a player account is important for many responsible gambling measures that the Gambling Commission and National Lottery Commission impose, including allowing customers to set financial limits or to self exclude. It also enables licensees to monitor customer activity as part of its obligations to ensure underage persons are not able to access gambling facilities, to intervene when it considers a customer to be developing a problem, or to prevent fraud/money laundering.

Accounts also ensure an audit trail of data to help facilitate investigations.

The Gambling Commission licensees are required to identify separate accounts held by the same individual to ensure, for example, that individuals who self exclude from one account are excluded from all other accounts held with the licensee.



**(14) What are the existing national rules and practices relating to customer verification, their application to on-line gambling services and their consistency with data protection rules? How do you assess them? Are there specific problems associated with customer verification in a cross-border context?**

All Gambling Commission licensees must have and put into effect policies and procedures designed to prevent underage gambling, and monitor the effectiveness of these.

For remote gambling such procedures must include:

- a) warning potential customers that underage gambling is an offence;
- b) requiring customers to affirm that they are of legal age;
- c) regularly reviewing their age verification systems and implementing all reasonable improvements that may be made as technology advances and as information improves;
- d) ensuring that relevant staff are properly trained in the use of their age verification procedures; in particular, customer services staff must be appropriately trained in the use of secondary forms of identification when initial verification procedures fail to prove that an individual is of legal age;
- e) enabling their gambling websites to permit filtering software to be used by adults (such as parents or within schools) in order to restrict access to relevant pages of those sites;
- f) in the case of any UK resident customer who deposits money using any type of payment method other than a credit card, and unless the licensee has established that a third party has satisfactorily carried out age verification, there are the following age verification procedures:
  - i) verifying additional information about the customer, such as carrying out searches of credit reference and other databases that list names and addresses of individuals over the age of 18;
  - ii) carrying out secondary age verification checks in any circumstances which give the operator reason to suspect that the person may be underage;
  - iii) not permitting the customer to withdraw any winnings from their account until age verification has been satisfactorily completed; and
  - iv) in any event, a requirement that if age verification has not been satisfactorily completed within 72 hours of the customer applying to register to gamble and depositing money:
    - the account will be frozen
    - no further gambling will be permitted until age verification has been successfully completed
    - if on completion of age verification the customer is shown to be underage, the operator must return to the customer any money paid in respect of the use of the gambling facilities, but no winnings shall be paid.

For UK consumers, there exists a number of publically available data sources that can be used to verify a customer's age. It is more difficult to verify non-UK customers because of the lack of available public data sources. The Gambling Commission will allow operators more time to verify the age of a non-UK customer which enables them to obtain documentary evidence of age.

As well as customer checks that are completed during the registration process, customer checks can be triggered by gambling activity thresholds.

The Gambling Commission has published a guidance document which is applicable to online operators it licenses entitled: “The Prevention of Money Laundering and Combating the Financing of Terrorism - Guidance for remote and non-remote casinos”. This document is intended to provide guidance to GC-licensed online casino operators and includes gambling activity thresholds and the need to complete Customer Due Dilligence.

These online casino operators must verify the identity of a player when a customer pays to, or stakes with, 2000 euros during any period of 24 hours. Verification can be completed via documentary evidence such as a copy of a passport or driver's licence.

The terms of the licence to run the National Lottery ensure that, to play the National Lottery online, players have to first register with details of their UK address and UK bank account. These details are then verified to prove the player is over 16.

## **Other comments on issues raised in section 2.2**

N/A

2.3. Public interest objectives

2.3.1. Consumer protection

**(15) Do you have evidence that the factors listed in the Green Paper are linked to and/or central for the development of problem gambling or excessive use of on-line gambling services? (if possible, please rank them)**

While the Gambling Commission has conducted its own prevalence survey series, it does not believe that its surveys - or others that are similar in nature (i.e. ‘snapshot’ studies) - are able to determine the specific risk factors around certain forms of gambling, or the relative risk presented by their structural or situational characteristics. However, what is clear from the Gambling Commission's own evidence is that the frequency of gambling engagement and the number of activities participated in, presents the greatest risk for problem gambling. In this respect, it is important to consider ‘behavioural’ risk factors in addition to structural and situational characteristics such as in the list above.

The items in the list provided appear to be relevant considerations in assessing the possible reasons for the development of problem gambling or excessive use of online gambling services. However, while it is straightforward to say the factors listed are probably important/relevant, it is significantly more difficult to say with any certainty whether the list is exhaustive and/or to rank their relative importance. Indeed, a recent scoping study by McCormack & Griffiths (2010) found that:

“...there are extensive gaps in our knowledge with respect to the effects of particular situational and structural characteristics of internet gambling. It is clear that there is very little empirical research examining the impact of these characteristics on potential vulnerable people, and whether there are any additional implications for internet gambling.”

**(16) Do you have evidence that the instruments listed in the Green Paper are central and/or efficient to prevent or limit problem gambling relating to on-line gambling services? (if possible, please rank them)**

The Gambling Commission believes that the majority of instruments listed are important harm-minimisation tools in relation to problem gambling, as evidenced by their presence/inclusion in the requirements of the British regulatory framework. Researchers have recently argued that preventative concepts such as these have not yet been adequately scientifically validated (Griffiths et al. 2009). Despite this, there is some research that suggests the efficacy of these measures (the summary of the research evidence below is taken primarily from Hayer and Meyer (2010)):

- Self-limitation (financial and time). There are studies which indicate that self-limits and manufacturer-imposed limits for internet gambling may be an important product safety measure to help prevent gamblers from losing large sums of money (Peller, LaPlante & Shaffer (2008)). There are also some indications that pre-commitment can be a useful tool for online gamblers (Nelson et al (2008)).
- Self-exclusion. Authors have stated that no systematic evaluation studies which specifically address the preventative effects of online self-exclusion can be found in the literature available to date (Hayer & Meyer (2010)). However, initial evaluations of venue-based self-exclusion have shown promising results and show that at least some gamblers benefit from it as a protective measure (Ladouceur et al. 2007; Nelson et al. 2010; Steinberg 2008; Townshend 2007; Tremblay et al. 2008).
- Information/warnings/self tests & Reality checks. Research has suggested that interactive feedback (e.g. how normative their behaviour was, expenditure projections, explanations of gambling fallacies, current CPGI score and risk of becoming a problem gambler etc) is found useful by gamblers, and by problem gamblers especially. This research also suggested that online interactive surveys have some utility as a brief intervention (Wood & Williams (2009)).
- Banning use of credit. The Australian Productivity Commission (Productivity Commission 2009, Gambling) argued that the use of credit cards has the potential to exacerbate the harms of problem gambling. However banning the use of credit cards was not recommended by the authors as the additional costs (including to consumers) are likely to exceed any benefits.

**(17) Do you have evidence (e.g. studies, statistical data) on the scale of problem gambling at national or EU level?**

In 2007, the Gambling Commission published its first British Gambling Prevalence Survey (BGPS). The survey conducted in 2006/07 collected baseline data of gambling behaviour in Britain before the introduction of the Gambling Act in September 2007.

The Gambling Commission repeated the survey in 2009/10 and published the results in February 2011, providing comparable results and trends in gambling participation and the rates of problem gambling:

[www.gamblingcommission.gov.uk/pdf/british%20gambling%20prevalence%20survey%202010.pdf](http://www.gamblingcommission.gov.uk/pdf/british%20gambling%20prevalence%20survey%202010.pdf).

The British Gambling Prevalence Survey offers a measure of problem gambling within the population and is able to show the key factors which correlate with the rate of problem gambling. It is not able to show what particular gambling activities cause problem gambling or other factors driving the rate.

The BGPS 2010 showed that there had been an increase in overall gambling participation with 73% of the population gambling in 2010 compared with 68% in 2007. However, this rate of participation is more in line with the participation observed in 1999 (72%). If those who only played the National Lottery are removed there was a significant increase in those gambling on other activities from 48% to 56% between 2007 and 2010 (compared with 46% in 1999). In addition, the Gambling Commission's further exploration of the data shows that the number of frequent gamblers (those gambling at least once a month or more) has also increased over that period.

Problem gambling is measured in the BGPS 2010 by two screening instruments - the PGSI and the DSM IV. Both screens were used in the 2007 and 2010 surveys. The problem gambling measures in the 2010 survey showed an increase in the number of problem gamblers in Britain, though the independent authors noted it is not possible to say whether this represents an upward trend or a temporary fluctuation. The proportions increased from 0.5% of the adult population in 2007 to 0.7% in 2010 (which is not statistically significant) on the PGSI measure and from 0.6% in 2007 to 0.9% in 2010 (which is at the margins of statistical significance) on the DSM IV measure. These rates are similar to those in other European countries (Germany, Norway and Switzerland) where this has been measured and are lower than countries like the USA, Australia and South Africa.

Overall, the prevalence of low risk gambling was 5.5% and moderate risk gambling was 1.8%. This means that the vast majority of people (92%) experience no problems from gambling.

The table below (taken from the British Gambling Prevalence Survey 2010) shows problem gambling rates by activity. However, caution is needed when looking at problem gambling rates for individual activities. Simply looking at which activities have the highest problem gambling rate does not take into account the fact that problem gamblers tend to gamble on a range of activities. The relationship is complex and requires further exploration, for example initial investigation showed that if one takes into account frequency of gambling, the 'ordering' of activities associated with problem gambling changes.

Table 6.4, page 96, British Gambling Prevalence Survey 2010.

Gambling activity	Past year gamblers		Regular gamblers	
	DSM-IV problem gambling	DSM-IV problem gambling	DSM-IV problem gambling	DSM-IV problem gambling
National Lottery draw %	1.3	1.5		
Another lottery %	1.3	2.8		
Scratchcards %	2.5	4.0		
Football pools %	7.5	9.9		
Bingo a %	2.9	4.1		
Slot machines %	4.0	8.7		
FOBTs%	8.8	13.3		

Horse races b	%	2.9	9.1
Dog races b	%	7.1	19.2
Sports betting b	%	4.4	8.1
Betting on non-sports events b	%	7.8	13.8
Casino games c	%	6.8	13.9
Poker at a pub/club	%	12.8	20.3
Online slot machine style games/instant win	%	9.1	17.0
Spread betting	%	7.5	[10.7]
Private betting	%	3.1	7.6
Online gambling activities			
Any online betting d	%	3.0	f
Any other online gambling e	%	3.0	f
Any online gambling (excluding National Lottery)	%	5.3	f
Number of gambling activities			
1-2	%	0.3	0.6
3-4	%	0.7	1.9
5-6	%	2.9	4.8
7-8	%	9.6	17.6
9+	%	12.7	27.8
a Includes bingo played at a club or online			
b Includes bets made online, by telephone, or in person, with a bookmaker or a betting exchange			
c Includes casino games (such as roulette, poker, blackjack) played in a casino or online			
d Includes online bets on horse races, dog races, other sports or non-sports events made with a bookmaker or betting exchange			
e Includes using the internet to play the National Lottery, other lotteries, bingo, football pools, casino games, online slot machine style games			
f Data not available.			
The BGPS 2010 found that very few people gambled online only (2% of past year gamblers) and that around 14% gambled both in person and online. The vast majority of past year			

gamblers (84%) still chose to gamble in person only. This finding perhaps lends support to the view that although online gambling is often perceived as a form of gambling in itself, increasingly it should be seen as a means of access only.

The National Lottery Commission has carried out a series of studies into the prevalence of National Lottery play for children aged from 12 to 15. The studies have also included more general gambling questions and problem gambling screens adjusted for children. The latest study "The British Survey of Children, the National Lottery and Gambling 2008-9" can be found at: [www.natlotcomm.gov.uk/publications-and-research/research-programme/underage-play/british-survey-of-children-the-national-lottery-and-gambling-2008-09](http://www.natlotcomm.gov.uk/publications-and-research/research-programme/underage-play/british-survey-of-children-the-national-lottery-and-gambling-2008-09)

Problem gambling at an EU level:

The Gambling Commission is aware of Griffiths' country-by-country analysis of the known empirical (and in some cases anecdotal) evidence of gambling and problem gambling in each country in Europe (Griffiths (2009) Problem gambling in Europe - An overview). This report is referenced in the Green Paper. The book Problem Gambling in Europe: Challenges, Prevention, and Interventions (Meyer, Hayer and Griffiths) also provides an overview of gambling participation and problem gambling rates in twenty-one European countries.

**(18) Are there recognised studies or evidence demonstrating that on-line gambling is likely to be more or less harmful than other forms of gambling for individuals susceptible to develop a pathological gaming pattern?**

In general, the research evidence suggests that rates of problem gambling are higher among online gamblers (Wood & Williams 2007, Wood & Williams 2009; Griffiths et al 2008, Wood, Griffiths & Parke 2007). However, there are no empirical studies which establish a causal relationship between online gambling and problem gambling (Australian Productivity Commission 2009, Gambling). While rates of problem gambling may be higher amongst internet gamblers, this does not necessarily mean that online gambling causes people to develop problems to a greater extent than venue-based gambling.

Limitations with the existing literature make it difficult to draw strong inferences about the relative harms of internet gambling, and the following caveats should be considered when interpreting problem gambling rates among internet gamblers (Australian Productivity Commission 2009, Gambling):

- A causal link is often obscured by studies labelling somebody who has gambled once in their lifetime as an 'online gambler'.
- As problem gamblers tend to participate in more forms of gambling than other gamblers it is difficult to establish a causal link (i.e. their gambling problem may have led them to online gambling and not vice versa).
- As it is a new medium, heavy gamblers will inevitably be early adopters and therefore will be over-represented during its formative stages.
- Over-representation of 'lottery only' gamblers in 'non-internet gamblers' group exacerbates the differences between observed problem gambling rates in internet gamblers and non-internet gamblers.

- Conclusions about problem gambling rates are often based on small sample sizes

It has also recently been argued (Hayer & Meyer 2010) that the assessment of behavioural data by Howard Shaffer and associates at Harvard Medical School 'relativizes' the findings of studies which find comparatively high rates of problem gambling among internet gamblers. The analysis of actual internet sports betting, poker playing, and casino gambling behaviour of online gamblers (LaBrie et al. 2007; LaPlante et al. 2009) has led to the conclusion that almost all customers display moderate gambling (i.e. not excessive) patterns.

**(19) Is there evidence to suggest which forms of on-line gambling (types of games) are most problematic in this respect?**

While there is not a huge body of evidence addressing this question, recent analyses have suggested that overall range of gambling involvement is a better predictor of disordered gambling status than specific game types, and that the apparent risk between gambling activities and developing gambling-related problems resides, perhaps primarily or even entirely, among individuals who have high rates of involvement (Welte et al. 2009; LaPlante et al. 2009).

**(20) What is done at national level to prevent problem gambling? (E.g. to ensure early detection)?**

The Gambling Commission works closely with the Department for Culture, Media and Sport (DCMS) and the Responsible Gambling Strategy Board (RGSB) (see response to Q.21) to ensure that problem gambling is adequately understood and researched, and that its policies ensure that gambling licence holders act in a socially responsible way towards their customers.

The Licence Conditions and Codes of Practice issued under section 24 of the Gambling Act 2005 ensure the protection of children and other vulnerable persons by requiring operators to put into place policies and procedures in relation to combating problem gambling, preventing access to gambling by children and young persons, the provision of information on how to gamble responsibly and help for problem gamblers, customer interaction, and self-exclusion.

In relation to the early detection of problem gamblers, operators are required (Licence Conditions and Codes of Practice) to put into effect policies and procedures for customer interaction where they have concerns that a customer's behaviour may indicate problem gambling. These policies must include, inter alia, the types of behaviour that may trigger customer interaction, and the circumstances in which consideration should be given to refusing service to customers. Licencees' policies and procedures for socially responsible gambling must include a commitment to, and how they will contribute to, the identification and treatment of problem gamblers.

Additionally, a key work stream for the Responsible Gambling Fund (RGF) (see response to Q.21) is education and public awareness, in order to make sure people have access to information about how to gamble responsibly. RGF's key activities in this area include;

- commissioning and funding education programmes and resources,
- evaluating all programme and resources to ensure that they are of the highest standards
- identifying and enabling the best routes to delivering these educational and awareness messages

RGF have also commissioned projects focusing on early identification and intervention, including a pilot to develop the capability of local primary care, substance misuse, mental health, debt advice, and other community-based services to identify and assist people, and those close to them, who are at risk of, or are already being negatively affected by gambling. RGF have also commissioned the Royal College of General Practitioners to develop a training package for General Practitioners and Primary Care staff.

Each major National Lottery game is considered before it is launched to ensure that players are protected. Directions from the Secretary of State to the National Lottery Commission note that the latter cannot agree to give a licence to any game that it thinks will lead to problem gambling. There are also rules to set system limits on online participation on the National Lottery website, including limiting how much money can be loaded onto the online wallet, and how much can be spent. It is also worth noting that it is not possible to use credit cards for payment on the National Lottery website.

**(21) Is treatment for gambling addiction available at national level? If so, to what extent do on-line gambling operators contribute to the funding of such preventive actions and treatment?**

In 2009, a new tripartite structure was established, made up of the Responsible Gambling Strategy Board (RGSB), Responsible Gambling Fund (RGF) and the Gambling Research Education and Treatment Foundation (GREaT).

RGSB's role is to provide independent advice to the Gambling Commission, and via the Gambling Commission, the Department for Culture, Media and Sport (DCMS) on the strategy and priorities for research education and treatment.

The GREaT Foundation raises funds, mainly from the gambling industry through voluntary donations, to support research, education and treatment of problem gambling. Fundraising targets for the gambling industry are agreed with the government and with RGSB. However, in the event that the voluntary system fails to generate sufficient funds, the Gambling Act 2005 provides for a levy to be introduced on licensed operators. The GREaT Foundation passes the funds it raises to RGF.

RGF's role as an independent funder is to develop and deliver appropriate programmes for research, education and treatment, taking full account of the priorities recommended by RGSB. At present the majority of the funding raised funds the work of GamCare which offers telephone, face-to-face and online counselling services, and the Gordon Moody Association, which provides residential treatment. In addition to the early intervention projects (Q.20), RGF funds reviews of the applicability of international research to the British context, a range of education initiatives including the Gamble Aware website, and in effort to increase research capacity, postgraduate students.

The Gambling Commission requires (via the Licence Conditions and Codes of Practice - LCCP) all licensed operators to make a contribution towards research, education and treatment of problem gamblers, although the Gambling Commission does not insist that GREaT is the beneficiary. Offshore gambling operators are not required by the Gambling Commission to contribute to research, education and treatment although many do. Those located in white-listed jurisdictions also have comparable arrangements on making contributions.



**(22) What is the required level of due diligence in national regulation in this field? (e.g. recording on-line players' behaviour to determine a probable pathological gambler?).**

Please see the response to question 20, which sets out the obligations on licensees to interact with consumers where they think the customer's behaviour may indicate problem gambling.

Clearly the online and account based environment online does provide a rich source of data on which to analyse consumer behaviour, track customer activity and a greater potential to dynamically intervene.

**(23) What is the statutory age limit for having access to on-line gambling services in your Member State? Are existing limits adequate to protect minors?**

The statutory age limit for most forms of gambling is 18 years of age, except for lotteries (including the National Lottery) where the age limit is 16 years of age.

**(24) Are on-line age controls imposed and how do these compare to off-line 'face-to-face' identification?**

Please see response to question 14.

All players must register before getting access to the National Lottery games online. Under-16s are prevented from registering by ID and age checks. The National Lottery retailers are trained to ask for anyone who appears 'face to face' to be under 16. A test purchase programme is in place to reinforce this.

**(25) How are commercial communications for gambling services regulated to protect minors at national or EU level? (e.g. limits on promotional games that are designed as on-line casino games, sports sponsorship, merchandising (e.g. replica jerseys, computer games etc) and use of social on-line networks or video-sharing for marketing purposes.**

Please see response to question 11 which give links to the full CAP and BCAP codes.

One point that will be of particular interest is that, rather than as is commonly the case that advertising restrictions prevent the use of a person "that appears to be an age below the national limit for participation", the CAP and BCAP codes state that marketing and advertising must not include anyone that is or appears to be under 25 years old. No-one may behave in an adolescent, juvenile or loutish way".

**(26) Which national regulatory provisions on license conditions and commercial communications for on-line gambling services account for the risks described in the Green Paper and seek to protect vulnerable consumers? How do you assess them?**

In relation to the 'other types of vulnerable players' highlighted in the Green Paper, the relevant CAP/BCAP codes do not permit advertising to:

- suggest gambling can be a solution to financial concern, an alternative to employment or a way to achieve financial security.
- exploit the...inexperience or lack of knowledge of under 18s or vulnerable persons
- appeal to children or young or be directed to under 18s.

Please refer to CAP and BCAP codes for full details - [www.cap.org.uk/The-Codes/CAP-Code.aspx](http://www.cap.org.uk/The-Codes/CAP-Code.aspx).

### **Other comments on issues raised in section 2.3.1**

N/A

### 2.3.2. Public order

#### **(27) Are you aware of studies and/or statistical data relating to fraud and on-line gambling?**

There are studies regarding fraud and online gambling that include:

- McMullan & Rege (2010) - "Online crime and internet gambling"
- Griffiths (2010) - "Crime and gambling - A brief overview of gambling fraud on the Internet"
- MHA consulting (2009) - "The threat of money laundering and terrorist financing through the online gambling industry"

Visa and Mastercard will also have data regarding card fraud.

#### **(28) Are there rules regarding the control, standardisation and certification of gambling equipment, random generators or other software in your Member State?**

Remote licensees must comply with the Gambling Commission's technical standards and testing requirements - these documents are published on the Gambling Commission's website ([www.gamblingcommission.gov.uk](http://www.gamblingcommission.gov.uk)).

The technical standards set out the technical specifications for remote gambling equipment and systems, and include measures in relation to the random number generator, the setting of

financial limits, the displaying of requirements to assist the player in making informed decisions about their gambling, and an information security audit requirement.

The Gambling Commission's testing strategy requires licensees to ensure the high-risk areas of their systems are independently tested by a Gambling Commission-approved test house. The Gambling Commission only approves a test house if (i) it passes suitability checks (including satisfying the Gambling Commission that they are independent from the gambling industry) and (ii) that they hold the internationally recognised testing accreditation ISO 17025 and the scope of the accreditation covers the Gambling Commission's standards.

The Gambling Commission also requires licensees to obtain an annual independent information security audit of critical systems to the internationally recognised ISO 27001 standard.

The National Lottery Commission has a duty to ensure that Lottery players are protected. The Licensee of the National Lottery shall at all times ensure that its running of the National Lottery (including Licensee Assets and its Technology Operation) is Fit For Purpose. In doing so, the licensee is required to ensure that no Draw takes place unless the relevant elements of the Technology Solution used in connection with the Draw have, as directed by the National Lottery Commission, been reviewed, tested or audited by an Independent Person, and the National Lottery Commission has had an opportunity to review the scope of the periodic testing of the relevant elements of the Technology Solution and the results of the testing. Such testing can encompass security, functionality and randomness.

**(29) What, in your opinion, are the best practices to prevent various types of fraud (by operators against players, players against operators and players against players) and to assist complaint procedures?**

As part of the Gambling Commission's risk-based approach, its main focus is on the consumer - i.e. ensuring that consumers are not disadvantaged.

(i) operator against player:

Checks at licensing stage that probe the suitability of key individuals and shareholders reduce the risk that gambling operations come under criminal influence. Operators are also required to have an annual information security audit (to ISO 27001) of critical gambling systems. This includes controls on access to critical systems / audit logs. Also, gambling games and systems must be tested to meet the Commission technical standard prior to release - this includes an independent test by the Gambling Commission-approved test house of RNG.

(ii) players against operators:

Operators have a commercial interest in detecting and prevent issues such as bonus abuse by consumers

(iii) player against player:

The online gambling market is highly competitive and so it is in the operators' commercial interest to prevent collusion and cheating in the peer-to-peer environment. That said, the Gambling Commission places obligations on its licensees to implement measures to deter, prevent and detect collusion and cheating. These include ensuring their systems can retain a

record of relevant activities to facilitate investigation and be capable of suspending or disabling player accounts or player sessions.

The regulation of networks (ie poker networks) is more complex because they pool players from different jurisdictions. Regulators need to work together with each other and the industry to ensure they are regulated appropriately.

The National Lottery Commission is responsible for preventing fraud by the operator of the National Lottery. This is achieved through a combination of activities, including vetting key members of staff, having a complaints procedure to independently deal with any complaints if a person feels they have been mistreated by the operator's complaints procedure, and expert staff who assess each Lottery to prevent the potential for fraud.

**(30) As regards sports betting and outcome fixing - what national regulations are imposed on on-line gambling operators and persons involved in sport events/games to address these issues, in particular to prevent 'conflicts of interest'? Are you aware of any available data or studies relating to the magnitude of this problem?**

In 2009, a panel of experts, including key people from the betting industry, the police, players, fans, Sports Governing Bodies (SGBs), the legal profession and the Gambling Commission, was created to look at a wide range of issues relating to sports betting integrity. The main focus was the design and implementation of an integrated strategy to uphold integrity in sports and associated betting.

These recommendations can be found in the document in the following link:

[http://webarchive.nationalarchives.gov.uk/+http://www.culture.gov.uk/images/publications/rports\\_sports\\_betting\\_integrity\\_panel.pdf](http://webarchive.nationalarchives.gov.uk/+http://www.culture.gov.uk/images/publications/rports_sports_betting_integrity_panel.pdf)

As part of its ongoing work on betting integrity, the Gambling Commission is currently undertaking a review of a number of fair and open betting issues, including looking at the misuse of inside information for betting. The aims of this work are to clarify the circumstances when use of inside information should be considered misuse; to promote appropriate means of preventing the misuse of inside information; and to discuss the application of meaningful sanctions when inside information has been misused for betting purposes. The Gambling Commission intends to issue a public paper on these topics in September 2011.

Further work has also been taken with betting operators to amend their terms and conditions so that any participant betting in breach of their sports rules would also be in breach of the operators terms and conditions. This would enable the operator to withhold payment of winnings, potentially trigger disciplinary or employment sanctions or provide the basis for a criminal investigation. The Gambling Commission has also worked with betting trade associations in the development of this condition and operators are introducing it into their terms and conditions

There has also been work on player education. During 2010, a series of four pilot programs were set up by the Remote Gambling Association (RGA) and the Professional Players Federation (PPF) covering English and Scottish football, cricket and Premiership rugby union. It has seen more than 2,400 players informed about betting related issues. In May 2011, the RGA and the PPF teamed up the European Gaming and Betting Association (EGBA), the

European Sports Security Association (ESSA) and EU Athletes, to link their betting education programmes under a single code of conduct. This campaign will cover six European sporting nations, four of the largest EU Member States (UK, Germany, France and Spain), seven sports and target 8,500 athletes.

**(31) What issues should in your view be addressed in priority?**

It is important that all partners work together to tackle issues concerning sports betting integrity – this includes sports having rules, education and sanctions in place to take swift action, betting operators making it hard for corruptors to profit (mechanisms to spot them, report them and withhold pay-outs), the Sports Betting Intelligence Unit managing the intelligence generated and law enforcement taking action where appropriate. This is underpinned by information sharing.

Whilst domestically this is largely in place, further work is needed internationally to ensure successful cross-jurisdictional working.

**(32) What risks are there that a (on-line) sports betting operator, which has entered into a sponsorship agreement with a sports club or an association, will seek to influence the outcome of a sports event directly or indirectly for profitable gain?**

The risks are negligible for operators regulated in Great Britain and sports clubs. Betting operators risk losing their licence and ability to trade if they engaged in such activity and it is difficult to see how much benefit could be gained, given any significant deviance in odds from the wider market would rapidly become clear.

**(33) What concrete cases are there that have demonstrated how on-line gambling could be used for money laundering purposes?**

The Gambling Commission works closely with law enforcement authorities that include SOCA and the Metropolitan Police. The police have investigated online gambling operators regarding money-laundering matters, but these have been about illegal money that has been obtained from activities that were not gambling-related.

There is very little assessed intelligence or substantial analysis in SOCA which would indicate that on-line gambling is used for money laundering purposes.

SOCA has intelligence to suggest that there is use of online gaming sites to extract value from compromised cards, (i.e. loading accounts from compromised credit cards and unloading them into accounts because credit card companies won't accept online winnings). However this trend is dropping off, as compromised cards are increasingly loaded onto prepaid debit cards and unloaded as cash.

In the experience of SOCA investigators, companies have very advanced systems to monitor their own processes where they perceive a weakness in their system which may have financial impact on their company e.g in the technical and fraud arena they engage with the regulator and each other to protect themselves.

UK investigators found this was less so in a money laundering capacity, however, where companies are not so vulnerable to losing money themselves, but are more a conduit to defraud financial institutions or individuals.

**(34) Which micro-payments systems require specific regulatory control in view of their use for on-line gambling services?**

Online gambling operators offer a number of payment systems that include credit cards, debit cards and e-wallets. The Financial Service Authority currently regulates the banking system and e-wallet providers in the UK.

The Gambling Commission regulates online gambling operators that transact with these payment systems and, as part of its regulatory work, reviews payment systems that are offered by online gaming operators that includes the deposit and withdrawal of funds process for the different payment types.

**(35) Do you have experience and/or evidence of best practice to detect and prevent money laundering?**

Money Laundering Regulations (2007) came into effect in the UK on 15 December 2007. Both remote and non-remote casinos licensed by the Gambling Commission are covered by these regulations and this was generated from the Third European Union Directive (2005) that was adopted in October 2005. This Directive represents Europe's ongoing commitment to tackle the international problem of money laundering and terrorist financing by implementing the global standards produced by the Financial Action Task Force (FATF) in 2003.

The Gambling Commission has published a guidance document which is applicable to its licensed online casino operators that is titled: "The Prevention of Money Laundering and Combating the Financing of Terrorism - Guidance for remote and non-remote casinos". This document is intended to provide guidance to such online casino gambling operators regarding how to detect and prevent money laundering. This includes policies and procedures that should be in place and triggers for completing additional identification checks of customers.

The Gambling Commission is a supervisory authority regarding money laundering regulations for online casinos regulated in Great Britain.

**(36) Is there evidence to demonstrate that the risk of money laundering through on-line gambling is particularly high in the context of such operations set up on social web-sites?**

The Gambling Commission monitors developments in 'gambling type' products in social website. It has not seen evidence that such products meet the national definition of gaming.

**(37) Are national e-commerce transparency requirements enforced to allow for illegally operated services to be tracked and closed? How do you assess this situation?**

The Gambling Commission can pursue unlicensed operators.

There are also restrictions on advertising of foreign gambling and the Gambling Commission can take action against operators or (if the operator is overseas) against the third party carrier of the advertising (eg the broadcaster/publisher/distributor) in the UK.

**Other comments on issues raised in section 2.3.2**

N/A

2.3.3. Financing of benevolent and public interest activities as well as events on which on-line sports betting relies

**(38) Are there other gambling revenue channeling schemes than those described in the Green Paper for the public interest activities at national or EU level?**

The Horserace Betting Levy Board (HBLB) is the statutory body established by the Betting Levy Act 1961. The HBLB receives no central Government grant-in-aid and no National Lottery funding. Instead, it is required by the Act to collect a statutory levy from the horseracing business of bookmakers (including online when that part of the company is based in the UK) and the Tote, which it then distributes for the improvement of horseracing and breeds of horses, and for the advancement of veterinary science and education.

Gambling Commission licensed operators are required to make a contribution to research, education and treatment of problem gambling. In many cases this is a financial contribution to the GREaT foundation.

**(39) Is there a specific mechanism, such as a Fund, for redistributing revenue from public and commercial on-line gambling services to the benefit of society?**

Funds raised through contributions by GB-licensed operators are distributed by the Responsible Gambling Fund (RGF), an independent charity set up in 2009 to distribute funds raised by the industry for Research, Education and Treatment (RET) into problem gambling through the GREaT Foundation.

The overall strategy is set by the Responsible Gambling Strategy Board, together with the quantum of funding required to deliver the RET elements of a responsible gambling strategy.

The National Lottery was set up for the specific purpose to raise money for good causes. The National Lottery Commission is responsible for awarding a single licence to a commercial operator to run the National Lottery for the benefit of the nation, by running international

competitions for the licence and inviting consortia to bid for the opportunity. There have been three competitions for National Lottery licences, with the current licence running from 2009-2019.

The funds raised for good causes by the National Lottery are put into the National Lottery Distribution Fund and the Olympic Lottery Distribution Fund.

**(40) Are funds returned or re-attributed to prevention and treatment of gambling addiction?**

The industry provides voluntary contributions towards the research, education and treatment elements of a national responsible gambling strategy. £5m was raised by the industry in each of the financial years 2009/10 and 2010/11.

A large proportion of the funds raised goes directly to treatment providers, with the remainder being used to fund prevention initiatives and relevant research.

**(41) What are the proportions of on-line gambling revenues from sports betting that are redirected back into sports at national level?**

The Horserace Betting Levy is a statutory levy from the horseracing business of betting operators that is then distributed for the improvement of horseracing; the improvement of breeds of horses; and for the advancement of veterinary science and education.

The Levy is distributed in a number of ways, in line with these statutory objectives. For example, in relation to integrity services the Levy Board provides grants to racecourses to help cover regulation and integrity costs including camera patrol and photo finish equipment and the fees charged by the British Horseracing Authority for its services such as raceday veterinary and security officials and drug testing.

The Levy rate to be paid in respect of a financial year (1 April to 31 March) is set annually during the preceding year. The Bookmakers' Committee (constituted by statutory instrument of members representing the betting industry) makes an annual recommendation to the Levy Board of the terms, rates, conditions and definitions which will apply to the next Levy Scheme. This recommendation is considered by the Levy Board, which decides whether to agree the Scheme. Discussions may follow until a Scheme recommended by the Bookmakers' Committee is agreed by the Levy Board.

However, in the event that a Scheme cannot be agreed by 31 October, it is referred to the Secretary of State for Culture, Media and Sport for determination. The Secretary of State's determination is then imposed.

In recent years, the Levy Scheme has, in general, been based around a percentage of a bookmaker's gross profits on its British horserace betting business. As the Levy Board and Bookmakers' Committee were unable to agree the annual Scheme for 2011/12 by the deadline of 31 October 2010, the Secretary of State was required to make a determination. Following consideration of the parties' submissions, the Secretary of State made his determination in February 2011:

- A rate of 10.75% of gross profits on British horserace betting business for betting shops as well as for telephone and internet betting operators (including betting exchanges).



- A 'threshold' level of £50,000, beneath which a betting shop pays an abated rate of Levy.
- A rate of 2.15% of gross profits on British horserace betting business for spread betting.
- A flat fee for on-course bookmakers of £210, and for bookmakers at point-to-point events, harness racing and/or trotting of £166.

The total amount allocated to Integrity and Regulation grants for 2011 is £16.4m.

**(42) Do all sports disciplines benefit from on-line gambling exploitation rights in a similar manner to horse-racing and, if so, are those rights exploited?**

Horse racing in the UK only benefits from online gambling if the company/operator is onshore and pays the Levy, or the company is offshore and gives a voluntary contribution like Betfair. The Levy in the UK is statutory and not a "right" as such.

No such statutory levy exists for other sports.

**(43) Do on-line gambling exploitation rights that are exclusively dedicated to ensuring integrity exist?**

No - the Horse Racing Betting Levy is distributed for the improvement of horseracing and breeds of horses, and for the advancement of veterinary science and education.

**(44) Is there evidence to suggest that the cross-border "free-riding" risk noted in the Green Paper for on-line gambling services is reducing revenues to national public interest activities that depend on channelling of gambling revenues?**

No - some operators licensed overseas but targeting the UK market do make a contribution to Research, Education and Treatment.

There is the potential that a non-UK-based online gambling service could 'free-ride' on the National Lottery, either by offering bets on the UK National Lottery or by providing an alternate Lottery product, without having to contribute to good causes. Both of these activities would be illegal for a UK-based operator.

**(45) Do there exist transparency obligations that allow for gamblers to be made aware of whether and how much gambling service providers are channelling revenues back into public interest activities?**

There are no transparency requirements where consumers are told how much, of e.g. their stake, goes to public interest activities. However, GREaT estimates that 0.085% of profit from gambling is RET (voluntary) contributions.

The licence to run the National Lottery includes rules that the operator has to publish sales figures. The National Lottery publishes quarterly the level of returns to good causes.

### **Other comments on issues raised in section 2.3.3**

N/A

#### 2.4. Enforcement and related matters

#### **(46) Which form of regulatory body exists in your Member State and what are its competences, its scope of action across the on-line gambling services as defined in the Green Paper?**

The Gambling Act 2005 generally extends to England, Scotland and Wales and came into effect fully on 1 September 2007. However, Sections 43 (chain gift schemes), 331 (foreign gambling) and 340 (foreign betting) apply also to Northern Ireland.

The Gambling Commission was set up under the Act to regulate commercial gambling in Great Britain.

The Gambling Commission is an independent non-departmental public body sponsored by the Department for Culture Media and Sport (DCMS).

The Gambling Commission's functions in relation to licensing and regulation can broadly be categorised as those of licensing, compliance and enforcement.

In particular, the Gambling Commission has the power to:

- determine applications for operating and personal licences, specify the (general and individual) conditions to be contained in such licences, limit the duration of such licences, and determine applications to vary or renew operating and personal licences. This is key in terms of ensuring that only suitable operators are involved in the provision of gambling.
- undertake activities for the purpose of assessing compliance with the Act and with any licence condition, code of practice or other provision made by or by virtue of the Act, and also for the purpose of assessing whether an offence is being committed under or by virtue of the Act (including the power to request information from operating and personal licence holders under section 122 of the Act, to commence reviews under section 116 of the Act, and to carry out inspections under Part 15 of the Act).

These activities include head office inspections, reviewing test and audit reports of gambling systems and games, focused compliance testing (for example test purchase exercises). The Gambling Commission also requires remote licensees to complete a quarterly regulatory return which provides details of activities including technical performance and social responsibility reporting, and to inform the Gambling Commission immediately of key operational issues that could have a significant impact on the nature and structure of the business.

- take regulatory action against an operating or personal licence holder following a review under section 116 of the Act (including the power to issue a formal warning, to attach, remove or amend a licence condition, to suspend or revoke a licence, and to impose a financial penalty), to void a bet and require repayment of any money paid in relation to it, and to investigate and prosecute offences committed under the Act

The Gambling Commission has a statutory duty to advise government on:

- the incidence of gambling;
- the effects of gambling; and
- the regulation of gambling

The Gambling Commission also issues conditions and codes of practice that describe arrangements that licensees should put in place in order to:

- a) ensure that gambling is conducted in a fair and open way
- b) protect children and other vulnerable persons from being harmed or exploited by gambling; and
- c) make assistance available to persons that are or may be affected by problems related to gambling.

Finally, the Gambling Commission also issues advice and information relating to gambling.

The National Lottery Commission is a Non-Departmental Public Body sponsored by the DCMS, and funded by the National Lottery Distribution Fund (NLDF). It is responsible for licensing and regulating the National Lottery. It protects the integrity of the Lottery, protects players and maximises funds to good causes.

The National Lottery Commission also runs the competition for the licence and selects the operator of the Lottery. If the operator fails to meet the conditions of the licence, the National Lottery Commission can impose a financial penalty. Ultimately it can withdraw a licence, but this would only happen under extreme circumstances.

The National Lottery Commissioners are appointed by the Secretary of State and meet on a monthly basis to make decisions about new Lottery licences and other developments affecting the National Lottery. They are also responsible for appointing a full-time Chief Executive.

**(47) Is there a national register of licensed operators of gambling services? If so, is it publicly accessible? Who is responsible for keeping it up to date?**

The Gambling Commission maintains and publishes a register of licensees on its website - [www.gamblingcommission.gov.uk/find\\_licensees.aspx](http://www.gamblingcommission.gov.uk/find_licensees.aspx)

**(48) Which forms of cross-border administrative cooperation are you aware of in the domain of gambling and which specific issues are covered?**

The Gambling Commission co-operates with other agencies and does exchange and share information in relation to licensed operators or activities of individuals - subject to local data protection and/or other legislation.

The International Association of Gambling Regulators (IAGR) and the Gaming Regulators European Forum (GREF) e-Gambling work groups share good practice, and the IAGR group has produced good practice guidelines for internet gambling - [www.iagr.org](http://www.iagr.org)

**(49) Are you aware of enhanced cooperation, educational programmes or early warning systems as described in the Green Paper that are aimed at strengthening integrity in sport and/or increase awareness among other stakeholders?**

Please see responses to questions 29-31

**(50) Are any of the methods mentioned in the Green Paper, or any other technical means, applied at national level to limit access to on-line gambling services or to restrict payment services? Are you aware of any cross-border initiative(s) aimed at enforcing such methods? How do you assess their effectiveness in the field of on-line gambling?**

We are not aware of any cross-border initiatives but we are interested in the experiences of others as our current impression is that they have some merit in terms of disruption but are resource-intensive.

**(51) What are your views on the relative merits [in terms of suitability and efficiency] of the methods mentioned in the Green Paper as well as any other technical means to limit access to gambling services or payment services?**

Internet blocking and the banning of credit cards raise many difficult issues. There are questions both of effectiveness and the proportionality of such interference to the size of the problem.

We note that the initial evidence as to the effectiveness of internet and financial transaction blocking in other countries is mixed, and we would need to consider whether such measures would be appropriate in a British context.

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**Other comments on issues raised in section 2.4**

N/A
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**Other comments on issues raised in the Green Paper**

N/A
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