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# Consultation on remote key equipment

## Overview

In exercising our functions, we aim always to uphold the licensing objectives of keeping crime out of gambling, ensuring that gambling is conducted in a fair and open way and that children and vulnerable people are protected from being harmed or exploited by gambling.

In the Licence Conditions and Codes of Practice (LCCP) condition 2 relates to technical standards, equipment specifications, remote gambling equipment and gambling software.

Licence condition 2.1.1 relates to remote casino, bingo and betting licences other than ancillary licences and remote betting intermediary (trading room only) licences. It requires an operator wanting to add to or relocate key equipment to a different jurisdiction to apply to the Commission for a variation to the licence, under section 104 of the Act, before the changes are made.

Key events are notifications made to us by licence holders of matters that significantly impact their business. Key event 15.2.1.7 requires licensees to report, amongst other matters, the change of location of key equipment within a jurisdiction.

## Why we are consulting

We are proposing that such a notification is no longer necessary as it has become clear over time that we do not routinely need to physically inspect key equipment and therefore we do not need to know the number of pieces of key equipment and their location.

What we require for regulatory purposes is to be able to access data held on key equipment. As data storage moves more towards cloud-based facilities, the physical key equipment access provisions are becoming redundant. In addition, we would retain the ability to access such equipment and/or request copies of data held on such equipment by virtue of licence condition 2.1.2.

As a proportionate regulator, we are committed to reducing the regulatory burden and as a result propose to remove these requirements as they do not appear necessary. In accordance with Better Regulation principles, we strive to ensure that regulatory

interventions are proportionate, targeted, fair and transparent. In addition, we regulate licensees to deliver better outcomes for consumers and the wider public.

This consultation sets out the change we propose to make by removal of the relevant licence condition and so make it that we no longer require notification in relation to the relocation of key equipment within a jurisdiction. This would result in increased efficiency and a reduction in regulatory burden.

## Introduction

### 1 What is your name?

### 2 What is your email address?

If you enter your email address then you will automatically receive an acknowledgement email when you submit your response.

### 3 Please indicate which organisation you belong to?

For example, member of the public, gambling operator, financial institution, trade association, charity etc

## 4 Privacy notice

As part of this call for evidence, we may decide to publish your name and organisation on our website to indicate that you have responded to this consultation. We have asked you to indicate your consent to the Commission publishing your name and organisation to indicate you have responded to this call for evidence.

(Required)

*Please select only one item*

I CONSENT to the publication of my name and organisation to indicate I responded to this consultation

I DO NOT CONSENT to the publication of my name and organisation to indicate I responded to this consultation

### **Privacy and cookies**

**<https://www.gamblingcommission.gov.uk/Footer/Privacy-and-cookies.aspx>**

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## Scope of our review

A piece of equipment is remote gambling equipment if it is “used in the provision of facilities for gambling” and the components deployed on it perform one or more of the functions set out in section 36(4)(a) to (d) of The Gambling Act 2005 (The Act).

These functions include storing information in relation to a person’s participation in gambling determinations and information relating to a result. It is used only by online operators and is also known as “key equipment”.

Historically the Commission has needed to know the number of items of key equipment and their location should we want to physically inspect them.

Over time it has become apparent that we do not need to routinely inspect key equipment. Therefore, we do not need to know the number of pieces of key equipment or where it is located. What we need is to be able to access the data held on key equipment. We can do this by virtue of Licence Condition 2.1.2.

Licence condition 2.1.1 requires an operator to make an application to vary their licence every time they wish to add or move key equipment to a different jurisdiction.

In addition, moving key equipment within a jurisdiction must be reported to us via key event 15.2.1.7.

Equipment cannot be moved to a different jurisdiction until the application to vary the licence has been granted and the new licence issued.

Over time it has become apparent that the physical inspection of key equipment is not necessary as it is the data held on the equipment that is required.

We will retain the ability to request the data via licence condition 2.1.2. In an outcome focussed regulatory environment, we look initially for assurance rather than undertaking physical checks and therefore do not need to know the number of pieces of key equipment or where they are located.

Further, technology continues to develop since the creation of these conditions and there is increasingly a move away from physical remote gambling equipment to storage in the cloud.

Our data requirements change over time reflecting developments in the gambling industry, government policy and our regulatory approach.

The proposed changes would improve the way we regulate as set out in our business plan 2019-20, by increasing our efficiency. This would also reduce the regulatory burden for operators in accordance with better regulation principles.

We are therefore proposing the removal of the condition, 2.1.1, which requires licensees to apply for a variation of their licence when adding or relocating key equipment to a different jurisdiction.

If this approach is adopted, we would also no longer require licensees, under notification requirement 15.2.1.7, to tell us when they add or relocate key equipment within the same jurisdiction.

We are conducting this formal consultation to gain views about a proposed change to the LCCP by removing condition 2.1.1 and the need to report changes in the location of key equipment within a jurisdiction via key event 15.2.1.7.

## Background

Section 36(4) of the Gambling Act 2005 (the Act) defines “remote gambling equipment” (sometimes referred to as ‘key equipment’) as:

*electronic or other equipment used by or on behalf of a person providing facilities for remote gambling*

*(a) to store information relating to a person's participation in the gambling,*

*(b) to present, to persons who are participating or may participate in the gambling, a virtual game, virtual race or other virtual event or process by reference to which the gambling is conducted,*

*(c) to determine all or part of a result or of the effect of a result, or*

*(d) to store information relating to a result.*

Section 36(5) of the Act sets out that “remote gambling equipment” does not include equipment which:

*(a) is used by a person to take advantage of remote gambling facilities provided by another person, and*

*(b) is not provided by that other person.*

All online operators will have remote gambling equipment.

The location of an operator’s remote gambling equipment is recorded on Schedule R of the operating licence. The list can range from zero pieces of equipment to 900 in some cases.

The frequency that an operator may vary the licence due to changing location of key equipment in a year will differ.

When the Act was introduced the view was that we might need to physically inspect this equipment and would therefore need to know the number of pieces of key equipment and their location. As licence condition 2.1.1 states:



## **Location of key equipment**

### **All remote casino, bingo and betting licences other than ancillary licences and remote betting intermediary (trading room only) licences**

**1** Licensees must not add to any of the remote gambling equipment listed in Schedule R to their licence or relocate any of that equipment from the jurisdiction stated in the Schedule without first obtaining a variation of that detail of the licence on application pursuant to section 104(1)(b) of the Act.

**2** For the purposes of this condition, in the case of geographical areas which are subject to the laws of both a state or provincial government and a federal government 'jurisdiction' means the area of the state or province; but England, Wales and Scotland are to be treated as a single jurisdiction.

If key equipment is moved within a jurisdiction, a licensee must advise of this via key event 15.2.1.7:

***The entering an arrangement whereby a third party provides services to, or grants any licence concession or permission to, the licensee other than for full value: full details of the arrangements must be supplied.***

Several factors mean that knowing the number of pieces of equipment and their location is not now necessary. This includes a focus on outcomes and assurance which do not always necessitate physical checks and inspections.

In addition, constantly developing technological advancements mean a move away from physical equipment to the storage of data in the cloud.

Removing condition 2.1.1 and the need to report changes via key event 15.2.1.7 would not stop us from accessing the data stored on key equipment as we would retain licence condition 2.1.2:

## **Access to (and provision of data from) key equipment**

### **All remote casino, bingo and betting licences other than ancillary licences and remote betting intermediary (trading room only) licences**

**1** Licensees must, on request, permit an enforcement officer to inspect any of their remote gambling equipment and/or provide to the Commission copies of

data held on such equipment in such format and manner as the Commission may request.

## Our proposals

We are consulting on the proposal to remove licence condition 2.1.1:

### **Location of key equipment**

#### **All remote casino, bingo and betting licences other than ancillary licences and remote betting intermediary (trading room only) licences**

**1** Licensees must not add to any of the remote gambling equipment listed in Schedule R to their licence or relocate any of that equipment from the jurisdiction stated in the Schedule without first obtaining a variation of that detail of the licence on application pursuant to section 104(1)(b) of the Act.

**2** For the purposes of this condition, in the case of geographical areas which are subject to the laws of both a state or provincial government and a federal government 'jurisdiction' means the area of the state or province; but England, Wales and Scotland are to be treated as a single jurisdiction.

This would mean that licensees could add or relocate any of their remote gambling equipment to a different jurisdiction without the need to obtain a variation of their Licence.

We are also consulting on the proposal to no longer require notification of the relocation of key equipment via key event 15.2.1.7:

***The entering an arrangement whereby a third party provides services to, or grants any licence concession or permission to, the licensee other than for full value: full details of the arrangements must be supplied.***

This would mean that licensees could relocate key equipment within a jurisdiction without having to notify us.

We propose that any changes to LCCP arising from this consultation would take effect in **July 2020**.



**5** To what extent do you agree with our proposals to remove licence condition 2.1.1?

*Please select only one item*

- Strongly agree    Agree    Neither agree nor disagree    Disagree  
 Strongly disagree    Don't know

Please give reasons for your answer

**6** To what extent do you agree with our proposals not to require notification via key event 15.2.1.7 of any changes to the location of key equipment within a jurisdiction?

*Please select only one item*

- Strongly agree    Agree    Neither agree nor disagree    Disagree  
 Strongly disagree    Don't know

Please give reasons for your answer

**Before you submit your response**

We have a few questions we would like to ask you to improve future consultations.

## 7 How did you hear about this consultation?

*Please select only one item*

- Social media    Word of mouth    Gambling Commission website  
 Broadcast (News, TV, or radio)    Newspaper (print or online)  
 Website (non-government)    Other

If you answered other, please specify

## 8 Overall, how satisfied were you with our online consultation tool?

*Please select only one item*

- Very satisfied    Satisfied    Somewhat satisfied    Disappointed

How could we improve this service?